Austria Sch22	Indonesia ... Rp3100	Portugal Esc120
Bahrain ... Din0.650	Israel Shk3.50	S.Arabia Rls7.00
Belgium BFr48	Italy L1700	Singapore ... S$4.10
Canada ...... C$1.00	Japan Y600	Spain Pta145
Cyprus ...... C£0.90	Jordan Fils500	Sri Lanka Rup30
Denmark . DKr12.00	Kuwait Fils500	Sweden SKr9.00
Egypt .... E£2.25	Lebanon ... SL125.00	Switz SFr2.30
Finland ... Fmk7.00	Lux LFr48	Taiwan .... NT$85
France FFr6.50	Malaysia ... Rlr4.25	Thailand Bht50
Germany ... DM2.30	Mexico Pes300	Tunisia ... Din0.800
Greece Dr120	Morocco Dh6.00	Turkey L600
Hong Kong... HK$12	Neth F13.00	UAE Dh6.50
India Rup15	Norway ... Nkr10.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,554 — Friday June 3 1988 — D 8523 A

Moscow: Releasing the spirit of reform, Page 20

World News

Rafsanjani takes charge of Iranian war effort

Ali Akbar Hashemi Rafsanjani, Speaker of the Iranian Parliament, was appointed Acting Commander-in-Chief of his country's armed forces. Iran also arrested moderate opponents of the Government for opposing the war with Iraq and speaking against heavy-handed treatment of the opposition. Page 4

Airline cleared

Texas Air, the US airline holding company built up over the last five years by Frank Lorenzo, was cleared yesterday by an unprecedented government inquiry into its safety and financial soundness. Page 22

Sri Lankan elections

Fewer than half the eligible voters in two Sri Lankan provinces cast ballots for district councils in an election marred by violence, threats and claims of fraud.

Colombia coup denied

Colombia's top military chiefs ruled out a coup by the armed forces, despite the acute violence shaking the country. The military asked for support after guerrilla attacks on bridges and electricity supplies and the kidnapping of a top politician.

Israelis convicted

Four left-wing activists were convicted of violating Israeli law by meeting in Romania with a Palestine Liberation Organisation delegation in November 1986.

Miners' bodies found

Rescue workers broke through tons of debris to retrieve some of the bodies of 57 miners killed in West Germany's worst mining accident in 26 years.

Chad, Libya to talk

Chadian President Hissene Habre has agreed to hold talks with Libyan leader Muammar Gaddafi to patch up relations strained by a 15-year border conflict.

US envoy under fire

Bodyguards escorting US Ambassador John Kelly in Beirut exchanged machine-gun fire with Christian Phalange militiamen in Christian east Beirut. Page 4

Danish government

Danish Prime Minister, Mr Poul Schlüter, is expected to form a three-party coalition of his own Conservatives, the Liberal party and the Radical Liberal party this weekend after last month's indecisive election. Page 2

Rebel camp seized

Philippine troops backed by helicopter gunships seized a major communist rebel camp in the jungles of Quezon province, north of Manila, after fierce fighting.

S Africa demonstration

South African police fired rubber bullets at students protesting in central Johannesburg against mass detentions without trial under the country's two-year-old state of emergency.

Heat wave in India

A heat wave in northern India caused the death of a further 59 people, raising the toll for the past six days to nearly 400.

Zia under pressure

Pakistan's President Mohammed Zia ul-Haq is facing growing demands to hold elections within 90 days as promised. Page 4

Relief workers 'trapped'

Britain said about 160 foreign relief workers were trapped in Somalia's main northern town of Hargeisa, still held by the Mogadishu government, despite a rebel claim to have captured it.

Dukakis cancels debate

Presidential candidate Michael Dukakis withdrew from the final Democratic debate yesterday to fly to Boston where his wife will undergo neck surgery today.

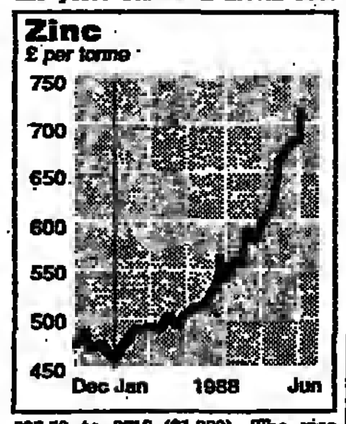
Business Summary

Icahn threat to withdraw from $14bn Texaco bid

CARL ICAHN, Wall Street investor who announced a bitterly contested $14.5bn takeover bid for Texaco, said he would withdraw his offer and rapidly move to sell his 14.8 per cent stake in the oil company if shareholders failed to support his proxy fight against Texaco's management. Page 23

TELEMECANIQUE, French *industrial automation company*, is attempting to put together a FFr8bn ($1.38bn) management *buy-out* in a last-ditch effort to frustrate a hostile takeover bid by the Schneider industrial group. Page 25

ZINC performed strongly on the London Metal Exchange, where the price for cash metal rose



£37.50 to £712 ($1,282). The rise was fuelled by fears of a strike at Curragh Resources, a Canadian zinc-concentrate mine. Page 32

TOKYO: Buying enthusiasm gathered momentum to drive share prices to an all-time high. The Nikkei average rose 165.45 to 27,869.36. Page 44

WALL STREET: The Dow Jones Industrial Average closed down 11.56 at 2,052.45. Page 44

DOLLAR closed in New York at DM1.7207, Y126.17, SFr1.4347 and FFr5.8245. It closed in London at DM1.7245 (DM1.7250), Y126.50 (Y125.20), SFr1.4365 (SFr1.4405), FFr5.8350 (FFr5.8250). Page 29

STERLING closed in New York at $1.8045. It closed in London at $1.8000 ($1.8240), DM3.1050 (DM3.1475), Y227.75 (Y228.25), FFr10.5025 (FFr10.6250), SFr2.5850 (SFr2.6275). Page 29

EMESS, UK lighting fixtures and electrical accessories company, appeared to have snatched control of Holophane, French lighting and glass group, from the grasp of its much larger British rival, Thorn EMI. Page 23

BURLINGTON NORTHERN, US Seattle-based railroad company, is to spin off its natural resource subsidiaries into a new company, Burlington Resources, in which public shareholders may take up a 13 per cent stake. Page 23

LUDWIG SCHWARZ of West Germany, largest contract tea packer in continental Europe, has been bought by Premier Brands, fast-growing UK group. Page 26

BRAZIL is expecting an imminent breakthrough in talks on renegotiating its foreign debt of more than $120bn, Foreign Minister Roberto Costa de Abreu Sodre said in Helsinki.

EUROPEAN COMMUNITY governments have been ordered to reclaim Ecu 747m ($896m) of illicit state subsidies made to industry last year. Page 2

REMY-MARTIN, leading French cognac house still in private hands, plans to sell control of Nicolas, its wine retailing chain, for FFr247m ($42.6m) to Castel Freres, France's largest wine distributor. Page 25

AACHENER und Münchener Beteiligungs (AMB), holding company for West Germany's fifth largest insurance group, which is 20 per cent owned by Royal Insurance of the UK, raised after-tax profits to DM89.4m ($52.2m) last year from DM44.9m in 1986. Page 25

TURKEY'S Istanbul municipality has puzzled contractors by inviting tenders at short notice for a "build-operate-transfer" contract to build a $600m rail tunnel crossing of the Bosporus. Page 6

Radical reform of securities urged by Hong Kong inquiry

BY DAVID DODWELL IN HONG KONG

A BLUEPRINT for radical reform of Hong Kong's discredited securities industry was published yesterday, proposing the creation of a new regulatory authority, seats for corporate stockbrokers on the *local stock market's governing* body, a professional executive for the exchange and an overhaul of the share settlement system.

The 400-page review, commissioned by the colonial government last November after the world stock market crash, also argues that Hong Kong should see the "progressive internationalisation of its securities markets as an important strategic objective."

Mr Ian Hay Davison, the former Lloyd's of London chief executive who headed the six-month inquiry, said yesterday that complete and speedy implementation of his committee's recommendations were "an essential precondition for the restoration of international investor confidence in the Hong Kong market."

The October crash brought about the unprecedented four-day closure of the stock exchange and a HK$2bn ($250m) collapse of the local futures exchange, while revealing deficiencies in supervision.

Investigations into alleged malpractices linked with the listing of new companies led in January to the arrest of Mr Ronald Li, the former chairman of the stock exchange. Mr Li awaits trial, and is next due to appear in court in August.

Mr Piers Jacobs, Hong Kong's Financial Secretary, welcomed the Hay Davison report as "a valuable and essential blueprint for future development" of the securities industry. He announced the establishment of a team to examine its recommendations, and called for public views to be submitted to the government within a month.

The welcome comes in spite of ungilded criticism in the report that government ignorance, and refusal to give adequate financial backing to supervisory authorities, played an important part in allowing the "cursory" surveillance that led to the market closure. Mr Hay Davison's call for a new regulatory authority, independent of government, is unlikely to meet official resistence.

Bluntest criticism is reserved for the past stock exchange committee, which Mr Hay Davison regards as "an inside group that treated the exchange as a private club."

He argues that member firms as well as laymen should have seats on the exchange committee. At present, only individual members are allowed seats, thus limiting the voice of large foreign institutions.

He calls on the government *to force through this change* by law, and suggests that he regards government willingness to legislate as a litmus test of its commitment to effective reform.

Leogthy sessions with the existing exchange committee made it clear to Mr Hay Davison that vigorous opposition to a restructured exchange committee may still exist among members, the majority of whom are local, individual brokers.

Plans for a professional management for the exchange and improved practices – which would include compoterised central clearing, new settlement procedures, reform of disclosure rules, and new listing arrangements – are already being implemented.

While arguing that self-regulation may have failed Hong Kong in the past, he ssys: "Laisser-faire has served Hong Kong too well for it to be abandoned altogether just because it has been ineptly used and grossly abused."

Details, Page 26

UK base rates rise fails to halt £ fall against D-Mark

BY SIMON HOLBERTON AND RALPH ATKINS IN LONDON

THE UK GOVERNMENT yesterday triggered a rise in bank base rates to 8 per cent, in an attempt to stabilise the pound in foreign exchange markets.

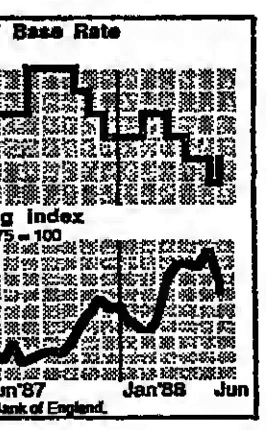
The half-point rise, which returned base rates to the level prevailing before May 17, came after another dramatic day in currency markets in which the pound came under massive selling pressure.

The increase in base rates, however, failed to halt a steep slide in sterling. The Bank of England's signal for higher rates came as the pound was trading around DM3.14. By the end of trading in London last night, however, sterling had slipped further to close at DM3.1050. This was 4¼ pfennigs lower than Wednesday's close and nearly 10 pfennigs lower than on Monday to European trading.

In New York, sterling slipped to $1.8045 from Wednesday's rate of $1.8130.

The major clearing banks, led hy Barclays, responded to the Bank's signal by raising their base rates hy 0.5 percentage points to 8 per cent. But building societies said they were not considering raising mortgage rates.

The Treasury said it was necessary to raise interest rates to maintain a level of monetary



tightness consistent with the Government's policy of bearing down on inflation. The Government's exchange rate policy was "symmetrical" and this meant that when sterling rose or fell, interest rates would tend to move in the opposite direction.

The policy was not mechanical, however, officials caotioned. They warned financial markets against attempting to anticipate policy.

Financial markets were surprised that base rates were increased by only half a percentage point, although it was not the first time that the Bank had raised rates by less than a full point.

Many analysts predicted that a further rise was likely in the short term if sterling continued to weaken. Trading in sterling interest rates futures yesterday suggested that the market was discounting base rates of around 9.5 per cent in September.

The Bank and the Treasury have both said, on recent occasions, that they would prefer to have higher base rates and a lower exchange rate.

It is possible that the events of this week, which may indicate a fundamental change in the market's sentiment towards sterling, might afford them that opportunity.

There also seems to have been a change in market sentiment towards the dollar this week. The US currency has risen against the D-Mark and the yen and it seems that funds committed to sterling have been transferred to the dollar.

In New York yesterday, there were reports of intervention by the Federal Reserve, the US central bank, to smooth the dollar's recent rise. There were also

Continued on Page 22

Rate rise may tempt speculators, Page 12

Bonn to relax satellite rules

BY LIONEL BARBER IN WASHINGTON

WEST GERMANY intends to join Britain in relaxing the rules governing satellite communications with the US, Mr Christian Schwarz-Schilling, Minister of Posts and Telecommunications, will say today in Washington.

Mr Schwarz-Schilling is visiting Washington as part of Bonn's continuing effort to head off criticism about the lack of US access to West Germany's telecommunications market and to stress that deregulation is on its way. In a speech to US telecom executives, due to be delivered tonight, Mr Schwarz-Schilling is expected to say that he anticipates the West German Parliament will pass a substantial deregulation package early next year.

Mr Schwarz-Schilling said the Deutsche Bundespost would shortly seek talks with Intelsat, the publicly-controlled international consortium, aimed at authorising a private US company, Pan American Satellite, to provide a telecommunications service between West Germany and the US.

The announcement marks an important liberalising step by the Federal Republic, which has the largest telecommunications monopoly in Europe and one of the world's most restricted telephone markets.

He said that once the legislation was in place, PanAmSat would be able to operate within the Federal Republic as a carrier for satellite services with transmission and receiver antennae of its own.

PanAmSat recently won approval from the British Government to run a service between the US and Britain on satellites separate from the Intelsat system. Within the next 10 days it is expected to launch a satellite on the European space consortium's Ariane rocket.

Mr Schwarz-Schilling said he expected talks with Intelsat to be completed swiftly, with Intelsat's board of governors considering the issue at its next meeting in the middle of this month.

PanAmSat said last night that the decision was a crucial breakthrough because the West German telecommunications market was the third largest in the world.

Discussions had also started with other European telecommunications authorities, it added, particularly in Scandinavia. The company is also putting pressure on the French Government by opposing moves to allow a French cable company more freedom in the US market.

Picture: Ashley Ashwood

Margaret Thatcher greets US President Ronald Reagan, in London yesterday to brief the British premier on his Moscow summit meeting. Mrs Thatcher accepted an invitation to visit Washington in November for talks with Mr Reagan and to meet his successor as president

Shultz wins Nato backing for US summit stance

BY DAVID BUCHAN IN BRUSSELS

THE US's Nato allies yesterday supported President Ronald Reagan's stress on human rights issues at the Moscow summit but at the same time hailed the prospect of "an increasingly stable relationship" between the US and the Soviet Union.

Mr George Shultz, the US Secretary of State, yesterday briefed eight foreign ministers and seven ambassadors representing the 15 Nato allies on this week's summit, and told a press conference in Brussels afterwards that "human rights has priority of place with us."

After a two-hour briefing from Mr Shultz, the Nato Council, a body which deals mainly with military aspects of East-West tension, said it "recognised the success of the meeting in Moscow."

Welcoming Mr Shultz's claim of progress on arms control, Lord Carrington, Nato's secretary general, said: "Equally, we were encouraged by the emphasis on human rights." Both areas of discussion were, he said, elements in an increasingly stable US-Soviet relationship "which can only benefit the alliance."

Publicly, US allies have thus moved quickly to align themselves with Mr Reagan's controversial focus on human rights at a summit which proved short on concrete agreement on arms control and regional issues.

Mr Shultz sought to reassure any doubters among them about the wisdom of this US tactic. "The fact that we did not have a Start (Strategic Arms Reduction Talks) agreement ready to be signed, and therefore dominate events at the summit, has caused people to reflect on the deeper meaning of what President Reagan and General Secretary Gorbachev have put together," he said.

He described this as a "broad, solid and manageable" relationship which had put human rights issues on a regular par with arms control, regional and bilateral issues on the agenda of successive US-Soviet summits.

Mr Shultz also claimed some progress in these other areas. Work would, he said, resume in Geneva on July 12 on a Start treaty which both sides recognised would take time to negotiate. He also said he hoped that progress on human rights could help move the Vienna conference on security and co-operation in Europe into its next phase, covering troop cuts by Nato and the Warsaw Pact.

On regional issues, Mr Shultz said the Soviet Union had indirectly given "a constructive impulse" to the recent talks in

Continued on Page 22

Yugoslavia to seek sweeping free market reforms

By Aleksandar Lebl in Belgrade and Bruce Clark in London

THE YUGOSLAV GOVERNMENT, newly bolstered by a standby credit from the International Monetary Fund, will seek to make wide-ranging moves in the direction of market economy by the beginning of next year.

A draft programme published in yesterday's semi-official press confirms the administration's intentions of allowing companies to raise money through bonds and shares, of formally introducing the concept of profit, and of making bankruptcy easier.

The changes will require sweeping amendments to the constitution, which lays down that enterprises must be run as self-managed co-operatives owned only by their employees, plus a legislative programme which parliamentary committees will now start drafting.

The constitutional reforms, which involve some painful departures from the socialist ideology on which post-war Yugoslavia has been built, and have been under debate for the past year, are due to be presented to parliament at the end of November.

That leaves parliamentarians only a month to convert the economic changes into legislation, if the Government's timetable is to be met.

Mr Janez Zemljaric, the Deputy Prime Minister, yesterday confirmed that the IMF board had approved a standby arrangement under which Yugoslavia will receive $490m in credits. He also said that commercial bank creditors have agreed to reschedule $7bn of Yugoslav debt between now and 1996. Yugoslavia's total foreign debt amounts to about $21bn.

As part of the IMF rescue plan, Yugoslavia began implementing last weekend an economic liberalisation programme which calls for the progressive deregulation of prices, imports and the disbursement of foreign exchange. The dinar was devalued by 24 per cent.

A wave of price rises has already hit the country. The two airlines have announced a 127 per cent increase in domestic fares, and utility charges in Belgrade have been hiked by 90 per cent, with more rises expected later in the year.

Economists say the Government's chances of meeting its target of cutting inflation to 95 per cent by the end of the year are already looking doubtful. Current *inflation* is about 150 per cent. The price explosion also portends an even sharper drop in the real

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ARGENTINA SAYS ENOUGH IS ENOUGH ON DEBT BURDEN

President Raul Alfonsin wants response from West on plight of debtor nations, Page 6

David Marsh interviews a leading protestant churchman on East-West religious relations

Spiritual bridge straddles a divided nation

BISHOP MARTIN KRUSE, chairman of the West German Protestant Church Council (EKD), is a man who brings together the will of God and the ways of Ostpolitik.

The Protestant churches in East and West Germany, perhaps demonstrating the dominance of spiritual over temporal power, form a spiritual and material bridge between the two halves of the divided nation.

Mr Kruse, 58, bishop of the Berlin-Brandenburg diocese of West Berlin since 1977, plays an important intermediary role through regular contacts with the church leadership in East Germany. He has far more invitations to preach there than he can accept.

Bishop Kruse leaves no doubt that he feels at one with his Eastern brother church which, in recent years, has achieved a sometimes uneasy *modus vivendi* with the East Berlin Government.

He criticises the recent moves by the regime to censor East German church newspapers' publication of allegedly political reports on synod conferences.

But, underlining the ambivalence of his position, he says: "We (in the West) cannot make any protest about this. We have learned from experience that if we try to intervene, this can cause additional difficulties."

Bishop Kruse admitted, in a wide-ranging interview, his moral doubts about the Church's role in the West German Government's long-standing practice of "ransoming-free" political prisoners from the East. And he spoke frankly of the "millions of marks" channelled from the West to help the church's work in East Germany.

The East and West German Protestant Church was split into two bodies only as recently as 1969 – eight years after the building of the Berlin Wall.

"The relatively long period of shared responsibilities has contributed to the position of the East German church. It has also given us the possibility of offering support (in the East) through the deaconal charities, church hospitals and homes for youth and old people," he said.

On East-West humanitarian questions, he said, "the Church has always been able to perform a service in discretion. . .partly because relations between the Churches are not burdened by questions of status."

Regarding the controversial buying-free of prisoners, carried out since the early 1960s through a bank account maintained by a West German Protestant Church charity, the Bishop said: "It is legitimate that the German Democratic Republic asks that the education and training costs (of people being bought free) should be taken into consideration."

But he said the practice, which has permitted more than 28,000 political prisoners to come to the West at a cost of well over DM1bn ($580m), was carried out under "emergency regulations which really do not stand up to thorough moral scrutiny."

The ransoming has been put into abeyance in recent months by East Berlin and Bonn, partly reflecting the realisation that it has outlived its time.

The Bishop pointed out: "The German Democratic Republic has an economic interest in hard currencies. Without this interest, a great deal of agreements would not have come about. One other way that this is manifested is in church building.

"A large part of the funds for special building and renovation of churches in the German Democratic Republic comes from the West. The money comes from the central church council (EKD), the Laender (state) church level, the deaconal charities or individual church communities. No-one knows the total – it runs into millions."

> The interest of the Church is to arrange things so that the people want to stay in East Germany. The ones who want to leave are those with critical judgments – ideas for improving matters there. Both the GDR and the Church are poorer without them.

As one example, the Bishop said that one-third of the Sunday collections in his West Berlin diocese went to the East. Additionally, the majority of the roughly DM30m needed to restore the Protestant cathedral in East Berlin came from the West, he said.

Bishop Kruse appeared to lend support to his opposite number in East Germany, Bishop Gottfried Forck of the eastern diocese of Berlin-Brandenburg, who in April called on the West to try and find ways of cutting the numbers wanting to leave East Germany.

"The interest of the Church is to arrange things so that the people want to stay in the country," Bishop Kruse said. "The ones who want to leave are those who are mobile, with critical judgements – they are the ones with ideas for improving matters in the GDR. Both the GDR and the Church are poorer without them."

Where is recent rapprochement between the two Germanys leading to? "We have a special community. (We are) getting to know that people from the churches have to visit each other."

In June, about 30 members of the Ratzeburg parish will be making a bicycle trip to the cathedral's East German partner church in Schoenberg.

The partnership with Schoenberg, best known in the West as the site of a giant East German waste dump, has gained intensity in recent years. The connection goes back to the Middle Ages when Schoenberg was a residence of the Ratzeburg bishops.

Ratzeburg has raised funds, from church concerts and a local business round-table group, to provide scaffolding for repair of the 13th and 14th century Schoenberg church. The equipment, costing between DM10,000 and DM15,000, will later be used in other churches sited in the area of former north German state, Mecklenburg.

EC pressed to agree on regulations for mergers

BY WILLIAM DAWKINS IN BRUSSELS

MR PETER SUTHERLAND, the European Commissioner for competition policy, appealed yesterday for progress towards a Community-wide merger regime, as new Commission figures showed that Europe has seen a steep rise in large mergers.

He called on ministers to agree on the main principles of a long-deadlocked merger regulation when they confer on June 22.

If the meeting fails to win the support of Franca and Britain, the only Community countries which have refused to give their consent to the plan, Mr Sutherland will be under fresh pressure to carry out his earlier threat to scrap the proposal and take case-by-case action against mergers likely to distort competition.

Yet there were no signs yesterday that the UK, which has shown the most scepticism, was ready to change its position – *officially one of open-mindedness* – despite demands from West Germany, current EC president, for an accord on the main elements of the proposal.

The scheme would allow the Commission to vet cross-border mergers in advance, rather than after the event as under existing EC competition rules, and ask for changes to individual deals to protect competition.

Mrs Margaret Thatcher, the UK Prime Minister, has written to Chancellor Helmut Kohl saying that while Britain "will contribute constructively to the detailed negotiations," it will only take a formal position in the light of those talks.

Mr Sutherland yesterday asserted: "It's quite absurd to have a situation where we can have different national controls giving different decisions about mergers taking place across member states."

According to the Commission's annual report on competition policy, released yesterday, the number of both national and cross-border mergers and takeovers in the EC rose from 227 in 1986 to 303 last year of which the bulk involved companies with sales of more than Ecu1bn (£650m), the size which would be affected by the merger regulation. Mr Sutherland said roughly 100 mergers a year would qualify for Commission vetting.

Specialty chemicals companies were the most active, accounting for 71 of last year's 303 takeovers and mergers and provoking anxieties from the Commission, which last year launched an investigation into alleged price-fixing among plastics producers.

These takeovers have given a small number of large diversified companies sizeable market shares in several small markets. "This . . . contributes to the reduction of competition and further increases the already high profit margins in the specialty chemical sector," warns the report.

Brussels orders repayment of Ecu 747m in state aid

BY WILLIAM DAWKINS

EUROPEAN Community governments were ordered to reclaim Ecu 747m (£493m) worth of illicit state aid to industry last year, an enormous increase on the Ecu 11m in 1986, the European Commission said yesterday.

Mr Peter Sutherland, the Commissioner for competition policy, revealed that the Brussels authorities were "at a very advanced stage" in drawing up a list of existing national aid schemes throughout the EC, which could lead to a renewed crackdown. "The removal of impediments to cross border competition in the form of anti-competitive aid must continue," he said, while presenting the Commission's annual report on competition policy.

Governments are on the whole becoming more scrupulous about clearing subsidy plans with the Commission, which received 316 aid notifications last year, more than double the 124 in the previous year. But confidential Commission estimates of national subsidies show that the Commission's "knowledge of state aids has been less than complete," says yesterday's report.

It warns that the Brussels authorities will have to decide whether these newly discovered subsidies conflict with EC competition rules. The study adds that the drive to create a free single market "means in practice that aids to enterprises distort competition more than ever before."

Brussels has ordered the repayment of almost Ecu 1bn worth of state aid since starting its drive against illicit subsidies four years ago, says the report.

France is the worst offender, with five repayments worth a total of Ecu 565m, followed by Belgium, which has been asked to reclaim 10 subsidies worth Ecu 300m. The only other countries forced to reclaim state hand-outs are the Netherlands with Ecu 118m, West Germany with Ecu 14m, and Britain with Ecu2m. The Commission also has substantial inquiries under way into Italian government aid for its car and steel industries.

Britain urges caution in opening internal borders

BY DAVID WHITE, DEFENCE CORRESPONDENT

BRITAIN will press European Community partners at a meeting today to think twice before dismantling internal border controls, in order to maintain vigilance against terrorists.

At a ministerial meeting in Munich of the so-called Trevi group, which deals with terrorism, Mr Douglas Hurd, the Home Secretary, is expected to call for a formal working-party assessment of the security implications of relaxing frontier controls.

The British Government's worries about terrorist organisations exploiting open borders were highlighted by the IRA machine-gun and bomb attacks in the Netherlands on May 1, in which three RAF men were killed.

It wants a detailed analysis of how various forms of relaxation would effect terrorists, as well as drug traffickers and major criminals. Some other EC countries – notably Greece, Denmark and Ireland – have also shown concern about the dropping of controls from 1992.

The UK is also proposing a co-ordinated tightening of legislation enabling governments to get at terrorist organisations' funding operations. A new law including extra powers in this respect is due to be introduced in Britain in the autumn, replacing the 1984 Prevention of Terrorism (Temporary Provisions) Act, which expires next March. But British officials are worried that Irish or Arab groups might respond to a clampdown by moving funds to another EC country.

A parallel meeting on immigration issues is expected to move towards at least a partial agreement on the question of rights of asylum. With some 600,000 asylum applications in the past four years, EC members are seeking co-operation to avoid misuse of procedures for dealing with refugees and to prevent people from applying in more than one country. This requires an agreed definition of the circumstance under which any country should consider an application for asylum.

Three-party government expected for Denmark

BY HILARY BARNES IN COPENHAGEN

THE DANISH Prime Minister, Mr Poul Schlüter, is expected to form a three-party minority coalition of his own Conservatives, the Liberal party and the Radical Liberal party this weekend, following last month's indecisive general election.

The Radicals, whose support is crucial to Mr Schlüter, as the party's 10 members hold the balance between the Socialist and non-Socialist blocs, are expected to announce today their willingness to participate in a coalition. If they do not change course at the last minute, their decision will also resolve the acute crisis which has arisen between Denmark and its Nato allies over the issue of visits by British and American warships.

Mr Schlüter called the election after a centre-left majority, which included the Radicals, passed a parliamentary resolution requiring the Government to inform visiting naval vessels that Denmark does not accept nuclear weapons on its territory.

This brought Denmark into conflict with the policy of the UK and US governments of neither confirming nor denying the presence of nuclear weapons on their ships. No details have yet leaked of the discussions between Mr Schlüter and the Radical leader, Mr Niels Helveg Petersen, but it is assumed that the former has found a formula on ship visits to satisfy both the Radicals and the Nato allies without compromising Denmark's longstanding principle regarding nuclear weapons.

However, diplomats say the allies have not been told what the formula is.

A depressing economic outlook faces the new Government, according to a report by the joint chairmen of the Economic Advisory Council, a consultative body bringing together both sides of industry. It foresees zero growth in gross domestic product, falling domestic demand in 1988 and 1989, and an increase in unemployment from about 8 per cent currently to 10 per cent in 1989.

Despite the domestic recession, little improvement is expected in the current account deficit. This is forecast to fall only slightly from last year's DKr20bn (£1.6bn) to DKr17bn-DKr18bn this year and DKr15bn-DKr16bn next year and will remain at 2.5-3 per cent of gross domestic product.

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EC capital flow plans prompt tax evasion fears

BY DAVID BUCHAN IN BRUSSELS AND GEORGE GRAHAM IN PARIS

THE PROSPECT that the European Community will decide this month on progressive removal of all remaining controls on capital flows has been somewhat clouded by persistent French and Danish worries about tax evasion.

An EC finance ministers meeting has been postponed for a week until June 13 to allow more time to work out ways of soothing French and Danish fears that their citizens will use new automatic rights to open bank accounts abroad, in order to avoid tax on income from bank deposits and securities.

France's concern about harmonising taxation structures around the Community appears to have increased since the appointment of a Socialist Government. Mr Pierre Beregovoy, the Finance Minister, said yesterday that while France agreed to the principle of capital liberalisation, the move should be accompanied by progress on harmonising EC fiscal systems and reinforcing monetary co-operation. "Bnt this is not a road-block" to freeing capital flows.

Chancellor Helmut Kohl recently appealed to his fellow leaders for agreement on capital liberalisation, among other measures, before the end of the West German presidency of tha EC Council of Ministers at the end of this month.

None the less, officials of some other EC states and the European Commission hava toned down their previous clear optimism about swift passage of the capital liberalisation directive this month. Last week, France privately restated to its EC partners its concern about capital flight and tax evasion in somewhat stronger terms than when it raised the issue at a finance ministers meeting in April.

Senior bankers estimate that up to FFr100bn (£9.4bn) may have moved from French to Luxembourg unit trusts in the past 18 months.

At the April finance ministers meeting, a working group under Mr Hans Tietmayer, the West German Stata Secretary for Finance, was instructed to report by this month on ways of easing the tax evasion problem, possibly before the capital liberalisation directive came into effect in one to two years time. They range from closer co-operation between national tax authorities, automatic reporting by banks to tax authorities, to a moves towards uniform withholding taxes.

Mr Beregovoy yesterday welcomed the recent West German decision to introdnce a withholding tax on bank interest.

In contrast to France, which is seeking a "European" solution to its fears about tax evasion, Denmark wants to ensure the capital *liberalisation directive does not* disrupt the present highly-organised liaison between Danish banks and the Copenhagen tax authorities.

Accommodating French and Danish tax evasion fears is prov*ing harder than Mr Gerhard Stol*tanberg, tha West German Finance Minister, seems to have realised last month.

Then, he described the capital liberalisation directive as having "a very good chance" of passage this month. His officials now rate that chance as merely "good".

Commission backs Irish airline over Milan flight

BY TIM DICKSON IN BRUSSELS

AN IRISH airline's fight for permission to fly from Dublin, pick up passengers in Manchester, and continue to Milan was yesterday re-routed via Brussels.

In what is being seen as an important test case of the European Community's package of air liberalisation measures introduced this year, the European Commission yesterday announced that it was opening legal proceedings on behalf of Aer Lingus against what it considers the anti-competitive attitude of the Italian Government.

So far the Rome authorities are refusing to grant Ireland's national carrier so-called fifth freedom rights on the Dublin-Milan service, that is setting down and picking up passengers in a third country before continuing to the final destination.

Milan is one of the airports exempted from the newly introduced freedom for services between regional and hnb airports on the grounds that it has insufficient facilities. The Italians argue that this should also apply to *fifth freedom rights (a key Irish* preoccupation during last year's negotiations).

The Commission points out that Aer Lingus "was intending to replace an existing scheduled service between Manchester and Milan and would therefore make no extra demands on capacity" and says that it regards the Italian argument as invalid.

Rome has 15 days in which to respond; if it refuses to change the Commission can take the case to the European Court of Justice.

In a separate development yesterday the Commission said France was breaking Community rules by discriminating against Belgian charter airline Sobelair by refusing it landing rights in the French Antilles.

Italy buys peace dearly in teachers' salary dispute

BY JOHN WYLES

THE ITALIAN Government yesterday purchased an expensive three-year peace for its schools system at an estimated cost of L5,600bn (£2.4bn) and at the risk of triggering ambitious public sector pay demands and of boosting general inflation.

After days and nights of intensive negotiations, the Ministers of Labour and Public Function won the agreement of most of the highly fragmented teaching unions for a pay deal worth well over 50 per cent for some grades over three years. Although two or three of the smallest and most militant teachers' groups not involved in the negotiations were quick to reject the deal, the others look likely to accept it after consulting their members.

"You must see this agreement as a real turning point for the educational system in our country," said Mr Cirino Pomicino, the Minister for Public Function, who led the government side in the talks. Despite threats of action from groups outside the negotiations, he and his colleagues hope they have averted a serious threat of disruption to school leavers' examinations and to the assessment system which determines pupils' promotion from one year to the next.

For years, Italy's 900,000 teachers have been among the poorest paid in Europe and unhappily working at the centre of a highly bureaucratic and poorly administered school system. The Government claims that apart from significantly lifting their salaries up the pay scale, they have also won agreement to reforms which should raise general educational standards and productivity. Among other things, the workforce is due to be reduced by about 50,000 by 1990.

But much fine print remains to be worked out, inclnding the actual percentage value of the pay rises. Some of the figures released hy the Government pointing to average monthly increases of L464,000 suggest that pay scales may rise by an average of 30 per cent over three years. However, the global figure implies only an 18.6 per cent addition to the pay bill.

Budapest radio attack on Czechoslovakia invasion

BY LESLIE COLITT IN BERLIN

BUDAPEST STATE radio has broadcast a debate in which prominent Hungarians strongly criticized the Soviet-led invasion of Czechoslovakia and commented sympathetically on Mr Alexander Dubcek, the reforming Czech leader who was ousted as a result of 1968 incursion.

Participants included Mr Rezso Nyers, architect of economic reform who was restored to the polithuro last month, and Mr Bela Kopeczi, Minister of Culture and Education, plus an academic and a journalist.

While it was not always possihle to distinguish their voices, no speaker defended the 1968 invasion, in which Hungarian troops took part. The tone was in sharp contrast to the line taken by the official Czechoslovak media, which continue to attack Mr Dubcek's record and insist that there is no comparison between his reforms and those being carried out in the Soviet Union by Mr Mikhail Gorbachev.

Mr Gorbachev himself, although he has apparently renounced the "Brezhnev doctrine" undar which Moscow claimed the right to intervene in its allies' internal affairs, did not pronounce any verdict on the 1968 events when he visited Czechoslovakia last year.

Judy Dempsey in Vienna reports on how Austrian sensitivities have been laid bare by the Peymann affair

Political critics threaten West German director's run

THE DIRECTOR of a theatre who dared criticise the Austrian acting profession as well as the country's President has aroused so much controversy among the Viennese establishment that he may be forced to resign.

Mr Claus Peymann, director of Vienna's Burg Theatre is talked about at every social event. He is written about in the newspapers. He is the main subject of the weekly cahinet meeting. He is insulted. *He is told to "go to the* loony bin." The political right is demanding his resignation. Even the left is saying he must go home.

His great "crime" is that he gave an interview to Die Zeit, the respectable West German weekly paper. It was provocative and full of exaggerations hut very close to the Austrian bone.

Mr Peymann, who came to the Burg from West Germany two years ago, openly criticised the *theatre in Austria.* It was virtually impossible to work with the actors at the Burg, he said. They had to be flattered and cajoled. "They are stupid," said Mr Peymann, adding that the theatre was riddled with hureaucracy, subservience and pettiness.

Permission to smoke on the stage had to be granted hy the Chancellor himself. He described the theatre as "scheiss" and, worst of all, he spoke critically and at length in the interview *about President Kurt Waldheim.* That is when the Austrian establishment really became upset.

Mr Peymann's remarks about the controversial President have provoked an extraordinary reaction, which in any other country would simply have been shrugged off.

But not so in Austria where form, ritual and a public consensus, all take precedence over the mildest of self-criticisms.

Tha "Peymann affair" has sent ripples throughout the sedate Austrian establishment which prides itself on its conformity.

The newspapers now demand: "Away with this man." Mr Waldheim's office called Mr Peymann's remarks scurrilous. There is a striking consensus between right and left over what to do. Mr Jörg Haider, head of the right-wing Freedom party, has called for his resignation.

Vienna considers its Burg Theatre one of the finest in the *German*-speaking world. So when someone, a foreigner (and German to boot), and who is a director of the Burg, comes out with some irreverent comments, the Viennese rally around.

Mr Peymann's future hangs in the balance. The actors from the Burg have said they cannot work with him. The politicians would like to see their own man or woman installed as director. Above all, they want to see the back of a man who dared criticise two precious institutions.

US accused on steel imports

BY DAVID GOODHART IN BONN

A leading figure in the West German steel industry yesterday accused the US of taking a far more protectionist stance on steel imports than the EC, and also called for more clearly defined Gatt rules against unfair trading practices.

Mr Ruprecht Vondran, executive director of the German Iron and Steel Federation, told a symposium at the University of Pittsburgh that in 1987 imports into the West German market came to 39 per cent of consumption (27 per cent from Europe and 12 per cent from outside) compared with 21 per cent in the US.

He said thet while the agreements concluded annually since 1978 between the EC and the *most important steel importing* countries were unenforceable "gentlemen's agreements" whose informal ceilings were often exceeded, in the US "exporters are simply refused export permits if tonnages exceed the limit."

On subsidies he admitted that EC countries had spent more in public aid 1975-1985 than the US, with the total exceeding DM100bn (£32bn). He even admitted that West Germany bad indulged in subsidies during that period hut insisted that producing on average 33 per cent of EC steel and paying only 7 per cent of snbsidies left the country trailing other Europeans. Ha added, however, that the US allowed some equivalent of subsi*dies through Chapter 11 of US* bankruptcy legislation.

Both West Germany and the US had cut about a third of total capacity between 1978 and 1987, he stated.

On sharpening the rules of Gatt he said: "The principle of free trade laid down by Gatt should be supplemented by more carefully defined rules on protection against unfair trading practices. Here I mean, above all, a revision of the regulations on subsidies, dumping and voluntary self-restraint arrangements."

All countries should accept a nentral ruling in cases of disputed subsidy and there should he a joint anti-dumping code within the framework of Gatt.

Italian restructuring sparks row

BY JOHN WYLES IN ROME

*A FURIOUS row over restructur*ing between Italy's public and private steelmakers led yesterday to the resignation of Mr Mario Lnpo, president of the state steel holding company, from the leadership of Assider, the industry's national association.

After a long meeting, Mr Lnpo agreed to freeze his resignation for a week to allow time for a working gronp to try to find a formula for healing the breach between the public and private sectors over restructuring proposals which have to be put to the European Commission later this month.

These are currently heing worked on by the Government on the basis of submissions from the *private sector together with the* reorganisation plan drawn up hy Finsider, the former state holding company headed by Mr Lupo now known as Ilva following Finsider's liquidation. The Ilva president's resignation was lodged as a protest to a letter sent to the Commission in Brussels last week by the leading private sector manufacturers.

They wrote that they were opposed to what will be the Italian Government's plea to be allowed to recapitalise Ilva to the tune of L6,500bn (£2.75bn) unless the Commission's approval was allied to a genuine recovery plan involving the closure of capacity at seven publicly-owned plants. These are all on the Finsider list of plants which it, and the Government, would prefer to sell to the private sector in order to preserve employment.

The privateers' initiative follows the rejection by the Government of their demands for the resurrection of cash incentives for plant closures which in the past the EC has allowed to be paid within certain limits. Without some agreement in the Assider working group over the future of the threatened Finsider plants, it seems the Government will have no alternative hut to accept their closure.

Mr Lupo said yesterday that the document to be prepared by the working group must "get to the bottom of things."

OVERSEAS NEWS

Stephen Fidler reports on a significant US initiative to help the needy at the African Development Bank meeting in Abidjan

Baker shifts his ground on aid to the indebted poor

THE DEBT initiative from US Treasury Secretary James Baker to help the world's poorest countries, unveiled on Wednesday in a speech to the African Development Bank in Abidjan, marks a significant shift in US attitudes.

The US in the past has attempted to split the issues of debt and aid. Its view has been that the problems of the very poor countries should be addressed by aid, not concessions on loans which were originally commercially-related.

This view was born out of a belief that there should be consistency in the approach to all debt rescheduling countries. The new view, as enunciated by Mr Baker, acknowledges for the first time that the poor countries, mainly of sub-Saharan Africa, beset by drought, famine and slumping commodity prices, do represent a special case to be treated separately from the large middle-income debtors such as Brazil.

Indeed, he emphasised that his approach was applicable to "assist only the poorest of the poor in a further effort to support their stability and growth."

The problem with the earlier US position was that, while denying these countries relief on their debt, the US was also constrained for budgetary reasons in its ability to help them through aid.

The timing of the speech is significant, since it puts the issue on the agenda of the Toronto economic summit later this month. It will also be on the agenda of the next meeting of the Paris Club of western creditor nations.

It also breathes life into the initiative launched last year by Mr Nigel Lawson, the British Chancellor of the Exchequer, which had lost momentum and was, in the opinion of some western experts, in danger of expiring.

Mr Lawson was quick to welcome the US proposals, which he said indicated that the US "is prepared to move towards acceptance of the initiative I launched last year." He added: "I very much hope that we can reach agreement on this initiative on this month's economic summit in Toronto."

This will not be the first time that this problem has been discussed at an economic summit. The previous one in Venice resulted in a recommendation that rescheduling terms for the smaller countries should be greatly extended, with greater consideration given to interest relief.

In Washington, more work is said to be needed on the initiative. However, at this stage it still appears to take a less radical approach than Mr Lawson's. The UK proposal broadly suggested that relief could be granted in two ways, through concessional interest rates or through longer repayment periods.

Mr Baker appears to have suggested that countries should take whichever approach is the most appropriate to them. At the same time, he has made it clear that budgetary and legal pressures would mean that the US would not be in a position to grant concessionary interest rates. Cutting interest rates on US debt would, for example, require the approval of Congress.

As a result, the Baker initiative clearly does not mean a flood of funds to the heavily indebted countries from the US. However, it suggests the US Administration's attitude may have warmed to the International Monetary Fund's proposal to enhance the so-called Structural Adjustment Facility, by expanding it to $12bn from about $3.5bn, to help poor countries with balance of payments problems.

It also increases pressure on other countries, such as West Germany, which have been less enthusiastic about debt relief proposals to the poorer countries.

The extent of the problem has grown in recent years. According to World Bank statistics, the external debt of the sub-Saharan African countries alone was $101bn at the end of 1986, of which the 22 low-income countries, defined by the World Bank as debt-distressed, owed $45bn. In these latter countries, external debt amounted to 108 per cent of gross domestic product. In the six years until the end of 1986, output per head in these countries dropped 16.6 per cent, while exports slumped by more than 30 per cent.

"The current debt problems are a symptom, not the cause of low-income Africa's difficulties. Yet, the debt is undoubtedly an obstacle to the restoration of conditions needed for growth," said the World Bank in a recent analysis.

The importance of the Baker initiative is that it unlocks greater rescheduling possibilities through the Paris Club, which is the key to the problem. More than 90 per cent of this sub-Saharan debt was owed to governments or other official creditors. Surprisingly, the loans to the debt-distressed countries are less concessional than to those states in a healthier condition.

According to reports from Abidjan, there was the unusual sight at the ADB meeting of a group of mainly African delegates vigorously applauding a US Treasury Secretary of the Reagan Administration. Mr Baker's initiative will certainly be welcomed in these countries, though the question that will undoubtedly be asked widely is whether it goes far enough to address an intensifying problem.

Baker: prepared to help the poorest of the poor

China hints at changes to HK draft law

A senior Peking official said yesterday that a draft constitution for Hong Kong, which reverts to Chinese rule in 1997, could be amended to include suggestions made by people in the British colony, Reuter reports from Hong Kong.

Mr Ji Peng-fei, who heads a government office in charge of Hong Kong and Macao affairs, said: "Of course it can be amended. That's what I'm here for – to collect opinions of the Hong Kong people."

Mr Ji, a former Chinese Foreign Minister, arrived on Wednesday for talks with Hong Kong governor Sir David Wilson and yesterday visited the colony's busy container terminal.

He said the first draft of the constitution, called the Basic Law, was not the final version which would be presented to China's National People's Congress, for approval in 1990.

Chad talks agreed

Chadian President Hissene Habre has agreed to hold talks with Libyan leader Colonel Muammar Gaddafi to patch up relations strained by a 15-year border conflict, a Chadian Government statement said on Thursday, Reuter reports.

The decision was taken on Wednesday at a special joint meeting of cabinet ministers and party officials under the chairmanship of President Habre to review the Organisation of African Unity summit held in Ethiopia last month.

During the OAU meeting Col Gaddafi announced recognition of President Habre's Government and invited him to the Libyan capital Tripoli for a national reconciliation meeting with Mr Goukouni Oueddei, President Habre's long-standing political foe now living in exile.

Colombo poll death

Marxist rebels, defying police shoot-to-kill orders, launched attacks on polling stations in an effort to disrupt elections to two provincial councils in Sri Lanka yesterday, but voting went ahead despite them, Reuter reports from Colombo.

Officials said rebels of the Sinhalese-based People's Liberation Front (JVP) attacked polling stations with guns, hand-grenades and bombs, killing one policeman and wounding one. Troops and police, ordered to shoot troublemakers on sight, patrolled the streets and guarded voting booths against the JVP, which has been blamed for the killings of 20 candidates since campaigning began in March.

Somali rebel claim

Rebels in Somalia have launched a major offensive against the government and claim to have captured the northern capital Hargeisa and the town of Burao, forcing Britain and other countries to consider the evacuation of some of their citizens from the north, writes Victor Mallet in Nairobi. The Mogadishu Government said Burao was overrun briefly last week but *denied that Burao or Hargeisa* was still in the hands of the rebel Somali National Movement.

US envoy's guards in Beirut shoot-up

BY NORA BOUSTANY IN BEIRUT

BODYGUARDS escorting US ambassador John Kelly in Beirut shot in the air yesterday to clear the way for his motorcade through a traffic jam and exchanged fire with Phalange Party security guards, Lebanese security officials said.

The US embassy issued a terse statement confirming the incident, in which no one was hurt, without giving any details.

"There was an incident. No Lebanese or American was hurt. We don't know the cause of it and are very thankful that everyone is alive and unhurt," an embassy spokeswoman said.

Other US diplomats contacted declined to comment on the shooting, during which one bullet was left embedded in one of the cars in the convoy, thought to be the bullet-proof limousine of the ambassador.

Mr Kelly travels through Beirut under heavy guard with several carloads of escorts armed with automatic machine guns. Security officials in East Beirut explained that the incident was a result of a "misunderstanding" and triggered by the "aggressiveness of bodyguards eager to protect the ambassador."

As is customary, Mr Kelly's guards tried to push their way through traffic, calling on cars to move aside and shooting skyward, one witness said. "They got involved in an argument with Phalange Party police in a car at the side of the road and then drove on shooting along the way," he added.

When they reached a beer factory near a Phalange Party security office, more shooting broke out. It was not clear whether a Phalange guard on duty opened fire upon sighting the motorcade or whether the bodyguards just continued shooting.

Most western diplomats have moved to the relative safety of Christian-controlled East Beirut.

Iran puts Speaker in charge of war

BY RICHARD JOHNS

MR ALI Akbar Hashemi Rafsanjani, the powerful Speaker of the Iranian Majlis (Parliament), was yesterday appointed Acting Commander-in-Chief of his country's armed forces in a move clearly related to recent reverses in the war with Iraq.

The announcement, made in the name of Ayatollah Khomeini, the spiritual leader of the Islamic Revolution, also seemed to be aimed at countering increasingly open criticism of the war.

It appeared implicitly to acknowledge problems with morale and desertion by charging Mr Rafsanjani with making "proper use of military courts and punishment of offenders of any rank".

The statement also stressed the need for better co-ordination among the regular armed services, the Revolutionary Guards, the volunteer Popular Mobilisation Army and the Gendarmerie. Mr Rafsanjani has also been instructed to rationalise the command structure, improve logistics and harmonise military industries.

The announcement stressed that the decision had been made in the name of President Ali Khamenei who was opposed by Mr Rafsanjani in a critical debate over economic policy.

Ayatollah Khomeini is constitutionally head of Iran's armed forces but Mr Rafsanjani has been his personal representative on the Supreme Defence Council and also the country's chief war spokesman. The role of commander-in-chief has only once been delegated before – to Mr Abolhassan Bani Sadr when he was president in 1980-1.

"Now Rafsanjani is top military as well as political dog," one seasoned Western diplomatic observer commented yesterday. He is the leader of the pragmatic faction in the regime, favouring economic reforms. This faction emerged victorious in the struggle at the turn of the year with conservative Islamic clerics.

In mid-April Iran suffered the humiliation of losing the Faw peninsula, captured early in 1986 at great cost in human life, while its navy lost a number of vessels, including two frigates, in a confrontation with the US task force in the Gulf. Subsequently the Iraqi Army drove out forces occupying an area south-east of Basrah around the border town of Shalamche occupied during the last major Iranian offensive in January 1987.

There have recently been reports of open clashes between clerical supporters and opponents of Ayatollah Khomeini. The clergy opposed to Khomeini want an end to the war. Risalat, a conservative Tehran newspaper, even condemned as "pointless" the continuation of the "war of attrition" and demanded a new military strategy.

Shultz begins new Mid East peace mission

BY OUR MIDDLE EAST STAFF

MR GEORGE Shultz, US Secretary of State, today flies to the Middle East on his fourth peace mission this year – despite continued Israeli opposition to an international peace conference.

He will also visit Jordan, Syria and Egypt immediately before *the Arab summit* which begins in Algiers on Tuesday.

Israeli leaders will be anxious to learn what understanding, if any, was reached in the talks in Moscow between Mr Mikhail Gorbachev, the Soviet leader, and President Ronald Reagan.

On Wednesday Mr Gorbachev said the superpowers had agreed that there should be an international peace conference but differed over the role it should play.

The Soviet Union has shown signs of a more flexible position towards Israel and has let it be known it is prepared to consider resuming diplomatic relations. An Israeli mission is expected to visit Moscow next month.

On Wednesday Mr Yitzhak Shamir, the Israeli prime minister, again expressed his opposition to an international conference, saying: "Our fate and future will not be determined or decided either in Washington or Moscow but in Jerusalem."

Earlier this week Mr Yitzak Rabin, the Israeli minister of defence, said there was no scope *for resuming* a serious initiative before next June after the new governments in Jerusalem and Washington had settled down.

For his part Mr Shultz may take a tough line following the US denunciation of Mr Shamir's intransigence and declaration of support for Mr Shimon Peres, the Israeli foreign minister, at the end of the latter's visit to Washington a fortnight ago.

King Hussein of Jordan, meanwhile, has emphasised his inability to speak for the Palestinians in the occupied territories.

● In Jerusalem, a Palestinian woman shot dead a Jewish seminary student in a park early yesterday, Reuter reports. Security officals were unable to say whether she was acting on behalf of a Palestinian guerrilla group.

End aid to Sikhs, Gandhi tells Zia

By John Elliott New Delhi

MR RAJIV GANDHI, Indian Prime Minister, yesterday appealed to Pakistan to stop giving help to Sikh terrorists operating in the north Indian state of Punjab.

At a meeting in New Delhi with Mr Abdul Sattar, Pakistan's Foreign Secretary, Mr Gandhi also asked Pakistan to take "concrete and visible" steps to demonstrate its commitment to the "principle of non-interference in Indian affairs".

These appeals were made at the end of two days of talks between the two countries' foreign secretaries aimed et improving relations. They follow other meetings in recent weeks between the two countries' top officials dealing with defence, home affairs including border problems, and commerce.

A joint statement last night said that there had been "useful talks in a free, frank and cordial atmosphere". But no positive improvements in the two countries' fractious and accident-prone relations appeared to have been achieved.

India is watching closely to see whether President Mohammed Zia ul-Haq's sacking last Sunday of the government of Mr Mohammed Khan Junejo will ease the tense atmosphere between the two countries.

Although the Indian Government believes that President Zia is personally commited to helping Sikh extremists, diplomats also respect him for carefully avoiding crises in Indo-Pakistan relations. Mr Junejo however was not so subtle and sometimes made improvements in relations more difficult.

Pakistan's alleged involvement in the Punjab, where Sikh extremist killings have been increasing sharply in recent weeks, is India's main current concern.

Pakistan acknowledges that arms are smuggled across from its territory into the Punjab, but it denies that it is assisting this trade and it also rejects allegations that it is giving other help, including training, to the extremists.

Demands grow for Pakistani elections

BY MOHAMMED AFTAB IN ISLAMABAD

DEMANDS are growing for Pakistan's President Mohammed Zia ul-Haq to hold elections within 90 days as promised but there are growing fears that he will repeat his failure to do so when he first siezed power in 1977.

Mr Ghaous Bakhsh Bejanjo, president of the Awami National Party, has demanded elections within the 90 days President Zia promised when he dismissed the government on Sunday. He also asked the President to establish his "own credibility" by taking the opposition into confidence as to why he dismissed his civilian Prime Minister Mohammad Khan Junejo.

Mr Khurshid Ahmed, vice-president of the right-wing *Jamaat-e-Islami* (Islamic Party) said only time would tell whether Gen Zia "redeems his pledge to hold elections".

In the past a similar promise had to wait nearly eight years to be redeemed, said Mr Ahmed, a former minister for planning under President Zia. The President made a similar promise of elections in 90 days on July 5 1977 after he toppled the then civilian prime minister Zulfikar Ali Bhutto and imposed martial. Elections took place in December 1984.

Even those who saw a silver lining of fresh elections following the crackdown on Sunday are now sceptical. In his address to the nation on Monday President Zia made no mention of the 90 days.

He also did *not* mention his undertaking on Sunday that the elections would be on a party basis and that political parties would be entitled to put up candidates.

A spokesman for Ms Benazir Bhutto, leader of the Pakistan Peoples Party, said: "We now do not know whether we or any other party will be allowed to participate in the polls."

Western diplomats describe President Zia's crackdown as "a surprise" and "a bewilderment".

The President addressed diplomats in Islamabad on Tuesday but made no mention of "Islamisation" of the society and the economy as his principal aim for the dissolution of the government. He charged the Junejo cabinet in his announcement on Sunday with failure to "Islamise" Pakistan speedily, a charge he repeated in his nationwide address on Monday.

One of the President's closest civilian advisers said the crackdown was "very difficult to sell". The adviser, one of the highest-ranking in Pakistan, was not consulted over the dissolution of parliament or the dismissal of the Prime Minister and his cabinet.

President Zia

AMERICAN NEWS

Jim Wright to face financial dealings probe

BY LIONEL BARBER IN WASHINGTON

MR JIM WRIGHT, the Speaker of the House of Representatives and Democratic Party leader, faces a damaging Congressional inquiry into alleged improper financial dealings.

The House Committee on Standards of Official Cooduct met yesterday to consider the case, wbicb is an embarrassment to the Democrats, who have sougbt to capitalise on ethics lapses in the Reagan Administration, typified by the year-long criminal investigation of Mr Ed Meese, the US Attorney General.

Mr Wright is to serve as chairman of the Democratic Party conventioo in Atlanta next montb which will nominate the party's presidential candidate.

Mr Wright has dismissed the allegations as Republican mudslinging, but he may find it difficult to prevent the House committee from triggering a full-scale inquiry.

Tbe charges centre on st least two issues – his acceptance of unnsually higb royalties for a book, whose publisber, an old frisnd and supporter, received $250,000 in fees from Mr Wright's election campaign; and his intervention on behalf of Texas constituents involved in savings and loans banks which bad difficulties witb Federal regulators. Other charges include improper conduct by Mr Wright in investing money in oil and gas properties.

The Speaker initially declined to comment on the accusations whicb were trumpeted by one of the more rumbustious Republican Congressmen, Mr Newt Gingrich of Georgia.

As early as spring last year, Mr Gingrich told friends tbat he intended to target Mr Wright ahead of the Democratic convention. The fact that be has succeeded owes as mucb to his personal determination as to e shift in mood in the House of Representatives whicb has traditionally been indulgent towards its members' financial activities.

Republicans have been enraged by Mr Wright's partisan leadership and his use of parliamentary rules to shut off debate. This explains why Mr Gingricb was able to drum up support from 72 Repuhlicans, including most of the leadership, in favour of an ethics committee inquiry. Their case was immeasurably strengtbened last montb wben an independent Wasbington-based citizens' lobbying group, Common Ceuse, urged an ethics probe.

Mr Wright, who has hired his own lawyer, has now said that he is prepared to eppear before the etbics committee. A simple majority of the 12 members is needed to undertake a full investigation, and Washington insiders are betting that tbe Speaker has resigned himself to an investigation – providing it can complete its work and vindicate him before the party convention next month.

Sarney set to win five-year mandate

By John Barham in Sao Paulo

Brazil's Constiluent Assembly was last night expected to grant President José Sarney a five-year mandate, settling a question that has dominated national politics since the assembly coavened 18 months ago.

This will be the third and last time the assembly votes on the presidential mandate. Previous votes were cliffhangers, hut this time Mr Sarney is expected to win by a substantial majority.

Mr Sarney became president in 1985 and will leave office in March 1990 under the preaent proposals.

The conservatives in Congress and the military had campaigned aggressively for a five-year term. The opposition and a large majority of public opinion would prefer Mr Sarney to leave e year earlier, after elections to be beld in November this year.

But tbe interminable wrangling over the president's mandate has bored the Brazilian public.

Mr Ronaldo Costa Couto, the presidential chief of ataff, said "this has gone on for too long, the people are saturated."

The question now is bow President Sarney will use his remaining 22 months in office and whether be will be able to maintain his congressional majority.

Mr Sarney said: "I have to reintegrate Brazil into the international financial system and etabilise the economy. This signifies that investments must increase and inflation be reduced."

● Rio de Janeiro's police have scored their first victory this year against the clty's cocaine gangs. At dawn on Tuesday, heavily armed police occupled tbe Rocinha shantytown, reputed to be the largest shantytown in South America.

Tbey killed one gang leader and arrested 38 snspects, apprehended an arsenal of automatic weapons and small quantities of cocaine and marijuana.

The police acted after the state government was criticised for doing nothing to stem the gangs' growing power.

The drug gangs had fortified Rocinha, turning lt into a no-go zone for the authorities and held sway over lifa there. Gangleaders would even call press conferences to announce new developments and show off their sophisticated weaponry.

Argentina's leader wants the West to respond to debtor nations' plight, says **Tim Coone**

Debt burden: enough is enough says Alfonsin

AT A BUENOS Aires banquet eight months ago President Raul Alfonsin, goaded by criticisms from an industrial leader over the state of the Argentine economy, let slip his personal view of the IMF standby loan arrangements that his ministers had recently agreed to. In a testy reply he said these "ridiculous recipes" were causing severe domestic political pressures and were not leading to a solution of the foreign debt problem.

On Tuesday night, at another banquet, this time in New York and in front of hundreds of US bankers, businessmen and US government officials, he calmly and coolly berated the lack of response from the industrialised world to the plight of the debtor nations, and made a daring proposal which will almost certainly become a Latin American rallying cry from Tierra del Fuego to the Rio Grande.

The proposal is to reduce interest rate payments on Argentina's $56bn foreign debt from their present level of almost 9 per cent a year, to only 4 per cent – in effect more than halving debt service obligations, and producing a net saving to Argentina of more than $2bn per year – and a corresponding loss of the same amount to the foreign banks, government and multilateral lending institutions.

The proposal is significant for two reasons which ought to make western leaders and financiers sit up and take note. First, presidential aides let it slip to local reporters shortly before Dr Alfonsin's departure to New York, that although he would be making the proposal only on behalf of Argentina, it had been discussed in detail with leaders of Brazil and Mexico.

Second, the proposal has been made by a Latin American leader who has won worldwide respect in banking circles for resisting intense domestic political pressure over the past four years to call a moratorium on the debt, unlike other leaders on the continent, and for the efforts by his economic team to tackle inflation, the fiscal deficit, and to reduce the high level of protection of domestic markets and industry, at the same time as meeting its debt obligations through successive rescheduling and standby loan agreements.

His Tuesday night speech was essentially a cry of "enough is enough". In November 1989 his mandate ends, and the foreign debt problem is looming as a major electoral issue. Even next year's vice-presidential candidate for the ruling Radical party, Mr Juan Casella said recently that the government stands little chance of remaining in power if there is no substantial turnaround in the economy by next year. It is an opinion widely shared in Argentina, and a moratorium on the debt is being seen increasingly as the way of providing a breathing space to regenerate growth and investment.

As President Alfonsin pointed out in his speech, the fiscal deficit – one of the causes of spiralling inflation – is proving difficult to reduce, and one of the principal items of government expenditure is the foreign debt service bill. High levels of government borrowing have severely distorted the local financial market, squeezing private sector investment, while efforts to raise taxes have run headlong into political opposition in the Congress. Having lost the mid-term elections in September last year, (widely blamed on the deteriorating economic situation) the government can no longer push its tax bills through the Congress without major modifications.

Faced with the prospect of tough negotiations this month for a new IMF standby loan and fresh money from the commercial creditor banks to meet this year's debt service payments, President Alfonsin has decided to go on the offensive and attack the one point which the commercial banks are the most reluctant to concede – reductions in interest payments. His bargaining strength paradoxically rests on the possibility of his failure – if he fails his government falls, and what will come in its place in 1989, in the form of a three to five-year moratorium promised by the opposition Peronists will be even less palatable to the foreign banks. As President Alfonsin warned: "That which is not accepted today will be imposed tomorrow by the force of circumstances."

It is Hobson's choice for the banks. For if they allow the proposal to prevail to head off the prospect of an Argentine moratorium, the entire continent saddled with its $400bn debt will soon be demanding the same terms.

FIVE POINT PLAN FOR CUTTING ARGENTINE DEBT PAYMENTS

- Reduction of interest rate on commercial bank debt to 4 per cent a year for three years. In the fourth year this rate would apply to 90 per cent of the debt, with the market rate applying to the other 10 per cent. This proportion would change over the following four years so that by the eighth year the market rate would apply to 50 per cent of the debt.
- The amortisations would be extended over 30 years (instead of 19 years) and would be guaranteed by the World Bank through co-financing arrangements.
- The Club of Paris debt contracted before 1982 would be refinanced over a long term period and the interest rate also set at 4 per cent.
- New multilateral finance should be calculated to provide a net inflow of funds to the country (i.e. the total inflow of new credits should be greater than the total outflow of payments in interest and amortisations).
- Argentina will broaden its debt capitalisation scheme and commit itself to medium-term structural reforms "compatible with short-term macroeconomic equilibrium".

El Salvador President gives illness hint

PRESIDENT José Napoleon Duarte of El Salvador, who has flown to the US for medical treatment, hinted in a speech read for him on Wednesday that he could be seriously ill, Reuter reports from San Salvador.

"Either God permits me to continue my struggle and crusade for what I believe, or He will decide otherwise," he said in an address to the National Assembly, read by acting President Rodolfo Castillo Claramount.

Mr Duarte, 62, elected president in 1984 after serving on a military-civilian junta, left by a US military jet for the Walter Reed hospital in Washington on Tuesday.

Mr Duarte said at the airport before leaving that he was suffering from a bleeding stomach ulcer, but added that "the doctors have said that they are reserving their diagnosis until the studies are conducted." There has been no official diagnosis to confirm reports he has cancer.

COCAINE TRADE CRACKDOWN URGED

Bahamas plea to US on drugs

BY ROBERT GRAHAM IN NASSAU

THE BAHAMIAN Government has submitted proposals to the US for a military exercise to reduce the estimated 125 tonnes of Latin American-produced cocaine expected to pass through the Bahamas this year.

The Government of Sir Lynden Pindling is asking for a special attachment of six frigates for up to 180 days, plus the use of four US Coastguard cutters. The frigates (type OHP/FFG7) carry two helicopters and have a unique air search radar capability.

At present joint Bahamian-US anti-drug efforts are hampered by inadequate radar and chase facilities, especially to catch light aircraft.

Last year Bahamian-US efforts resulted in the seizure of 10.4 tonnes of cocaine and 77 tonnes of marijuana. But only some 10 per cent was seized of the 100 tonnes of cocaine passing through the sprawling chain of Bahamas' islands.

Colombian cocaine traffickers use the islands to refuel light aircraft en route for Florida, or for switching loads to fast launches. The Bahamian authorities believe almost 60 per cent of all cocaine entering the US passes through their territory.

Marijuana from either Colombia or Jamaica is carried in quantities up to 50 tonnes via the Bahamas by "mother ships," which rendezvous off the Florida coast with smaller boats.

The Bahamian initiative stems in part from concern over the rise in drug addiction and drug-related crime on the islands. But it also reflects reports alleging corruption in high places that permits the easy transition of narcotics. The bad publicity comes despite the Bahamian Government co-operating more closely with the US over drugs than any other country in the region.

In a recent Florida court case, Mr Carlos Lehder, one of the leading figures in Colombia's biggest drugs cartel, was found guilty of importing into the US 3.3 tonnes of cocaine via the Bahamas in the early 1980s. During his trial members of the Pindling Administration, including the Prime Minister, were alleged to have known about and profited from Mr Lehder's drug activities using one of the outer islands as a transhipment point.

These allegations are vigorously denied by Sir Lynden and relate to incidents between seven and nine years ago. But they are currently being investigated by a Florida attorney. Sir Lynden said: "There is absolutely no basis for an indictment."

Peru inflation rate shows sharp May fall

PERU's inflation rate fell to 8.5 per cent in May, a substantial drop from the previous two months, Barbara Durr reports from Lima.

In March and April consumer price rises hit all-time highs of 22.6 per cent and 17.9 per cent respectively.

Accumulated inflation so far this year is running at 97.8 per cent. The rate over the last 12 months is 217.1 per cent.

Mr Armando Villanueva, the new Prime Minister, welcomed the drop in inflation as a sign that the economy was stabilising.

But inflation for the year could still run over 400 per cent, and the government is under pressure to shift away from its populist economic policies.

Mr Villanueva is expected to announce his plan of government later this month. New measures on terrorism and the economy are expected.

Canadian accountants seek tough auditing rules

A REPORT commissioned by the Canadian Institute of Chartered Accountants has recommended "swift and tough action" by the Canadian accounting profession to ensure that public expectations of the auditing process are fully met, David Owen reports from Toronto.

The study was commissioned in 1986 in response to questions about the role of auditors in the failure the previous year of two domestic banks. The changes suggested by tbe report include:

- Improved and expanded accounting and disclosure rules should be drawn up. These would provide for the increased disclosure of the risks and uncertainties affecting a business, the elimination or explanation of alternative accounting treatments and the disclosure of more information.
- Auditors should take a more active role in searching ont fraud.
- Greater and more prompt disclosure of the reasons for an auditor's resignation or dismissal should be made.

Tbe proposals have encountered a generally favourable response from local auditors.

WORLD TRADE NEWS

Siemens in drive for new chip market

By Louise Kehoe in San Francisco

SIEMENS of West Germany and Advanced Micro Devices, one of the leading US semiconductor manufacturers, have signed a pact in an attempt to win a major share of the market for a new generation of telecommunication chips.

The 12-year agreement will involve product and technology swaps and focus on the development of chips designed to implement Integrated Services Digital Networks.

ISDN is an international standard for combined voice and data communications. Its implementation represents a buge upgrading of the world's onalog telephone network to support bigh-speed digital communications, including voice and data, and services such as electronic mail, high-speed facsimile, and remote monitoring of electronic equipment for medical, security and other purposes.

By prnviding alternative sources for key ISDN components, Siemens and AMD aim to accelerate implementation of the world-wide digital communications standard.

Under the terms of the agreement, AMD and Siemens will pool their ISDN products to provide o complete ISDN chip set. The companies will manufacture and market each other's chips.

Initially, 15 chips, most of them developed by Siemens, will be involved. Over tbe next year, AMD will contribute additional data communications and networking chips to balance the exchange. In addition, the companies plan joint development of future ISDN products.

Siemens and AMD are both leaders in the field of telecommunications chips and together represent a potent force in the emerging ISDN market.

While such alliances generally have a poor success record in the semiconductor industry, the two companies have a long-standing relationship involving product licensing and co-development, industry analysts noted. Siemens also holds a 10 per cent stake in AMD.

Trials of ISDN are under way in the US, Japan and several European countries. By the late 1990s, industry analysts predict broad implementation of ISDN worldwide.

Roderick Oram reports on moves to bolster the car company's chances after a sales slump in the competitive luxury market

Austin Rover fights to keep Sterling in the US market

"I KIND of think I'm watching Sterling die," said Mr John Freitag, a disconsolate Connecticut dealer for the Austin Rover luxury car which has brought the UK manufacturer back to the US after a seven year gap.

Suffering financially from the Sterling's sales slump, he is worried that Austin Rover has failed so far to create a distinctive niche in the ferociously competitive US luxury car market.

Car industry analysts and Sterling dealers across the country say Austin Rover is close to squandering the good reception from public and motoring press which the car received on its US launch in February last year. "Sterling is showing signs of losing momentum," a leading consultant said.

Two weeks ago, the UK group unexpectedly took charge of its US distributor, Austin Rover Cars of North America (Arcona), by buying out Mr Norman Braman, its 51 per cent partner. Austin Rover said it took over the Miami car dealers' interest because it wanted a consistent policy of UK control of all overseas subsidiaries.

One of its first moves was to make Mr Chris Woodwark Arcona's Miami-based president. The fact that he was previously Austin Rover's commercial director with worldwide responsibility for marketing indicates senior management's understanding of the scale of the US task.

"We wouldn't have taken the action we did if everything was up to speed," Mr Woodwark admitted when pressed about the Arcona buyout. "It was a willing buyer and a willing seller."

Dealers and analysts said problems over the past year have included teething troubles on early cars, an inconsistent advertising campaign which is about to be handed over to a third agency and an inappropriate product mix.

Austin Rover said weak US luxury car sales after last October's stock market crash had also played a negative role. Certainly, the likes of Mercedes-Benz and BMW have reported sharply lower sales but the broadly defined luxury market is forecast to change little this year at around 1m cars, with imported cars accounting for 31.6 per cent against 25.7 per cent in 1986, according to J.D. Power, a California car industry consultant.

Some foreign manufacturers, most notably Honda with its Acura range of cars, have shown strong sales growth thanks in part to successful creation of an identity. With even more foreign manufacturers poised to tackle the US luxury market, building a brand name has become one of the most vital tasks of any importer.

Against this background, Americans bought 14,200 Sterlings last year, but only 3,600 in the first four months of this year. Unsold cars have piled up steadily at dealers and docks over the past year. By May 1 they equalled an uncomfortably high, 107-day supply, according to figures from Automotive News, a Detroit industry publication.

Sterling is inevitably compared with the Acura Legend, its mechanical twin through use of Honda engines and other key components. Stylistically, however, they are distant cousins competing in the same market. Launched in the US 11 months earlier than the Sterling in March, 1986, the Legend has enjoyed brisk sales growth. Some 54,700 were sold last year and 21,700 in the first four months of this year.

Mr Woodwark said the comparison was inappropriate because Honda and Austin Rover have different goals and resources in the US. Honda wants to build the Acura into a major brand while Austin Rover is seeking a more exclusive role for Sterling. Sterling will not add the four-door Fastback, recently launched in the UK, to its saloon until this autumn. It has no immediate plans to build a coupe.

Sterling: close to squandering its good reputation

The most significant difference lies in the companies' dealer strategies. Honda has built up a network of 250 exclusive dealers by, for example, encouraging Honda dealers to invest in the new line of Legends and other Acuras. Arcona has 180 dealers, all of whom carry Sterling as an add-on range to other domestic and foreign makes. Exclusive dealers tend to sell more agressively then add-on dealers because they have higher costs to cover.

There are few complaints from dealers about the Sterling's appeal. "The car sells itself – once people know about it," said Mr Rick Williams of Auto Britannia in San Francisco. He finds many customers prefer the Sterling to the Legend for its design, particularly the interior, its firmer European-style handling and features such as infra-red door locks – all at a slightly lower price.

Though irked by early problems, particularly with electrical components, dealers give Arcona high marks for tackling the issue and helping to soothe customers. The Sterling proved far less reliable initially than the average imported new model, according to industry figures. Dealers said tbey have seen a substantial increase in the Sterling's construction quality in recent months.

Sales were initially hampered because customers showed an unexpected preference for leather interiors while Austin Rover had been supplying predominantly cloth ones. Supply balance between the two has been achieved.

Arcona fired Hal Riney, its second advertising agency, last week after the San Francisco firm had been chosen by General Motors to launch its Saturn car. Renowned for its creativity, Riney had tried to create, under the slogan "The inevitable British road car," an ambience of English luxury. Some advertisements carried extracts of an Andrew Marvell poem.

"We're going to take a hard look at our marketing strategy and advertising," Mr Woodwark said. "I want people to understand the qualities of the car." Finding a new agency is hard when most already handle car accounts, but he hopes to appoint one soon.

Overall, Mr Woodwark begins his new job with a good measure of support from dealers although time is running out.

"If Sterling loses people like me who are enthusiastic about the car, they'll have to train others," said Mr Freitag, the Connecticut dealer. "That'll probably be costly and not very effective."

Austin Rover engine, Page 8

BAe wins $7m order from Catskill Airways of US

BRITISH Aerospace has won an $7m order from the US domestic airline Catskill Airways of New York, Reuter reports from London. The airline has placed an order for two Jetstream 31 commuter aircraft.

The 19-seat aircraft are due for delivery during June and July. The latest order brings the number of Jetstream 31s ordered to date to 213 and there are options on a further 68.

Catskill operates out of New York's La Guardia Airport.

● KLM Royal Dutch Airlines is considering placing an order for three Boeing Co BA 737-400 planes, a union official at KLM said, Reuter reports from Amsterdam. KLM declined comment.

The union official was commenting on a report by tbe Dutch daily De Telegraaf whicb said KLM had already unofficially ordered the planes to ensure delivery next year but was withholding formal disclosure until discussing tbe sale witb its unions, as required under Dutch corporate law.

De Telegraaf said the order meant KLM had decided to opt for the Boeing 737-400 over Airbus Industrie's A-320.

Japan to seek easing of Cocom curbs on China

JAPAN will formally call for the scrapping of restrictions on exports of some computers and other technology to China at a meeting of the Paris-based Cocom comuittee in July, a trade official said yesterday, Renter reports from Paris.

Cocom, the Co-ordinating Committee on Export Controls, co-ordinates efforts by Western countries to stop the flow of military-related technology to communist countries.

A Ministry of International Trade and Industry official said Japan would present a paper at the July Cocom meeting in Paris asking for bans on exports to China of several items to be dropped.

Bosporus tunnel tenders invited

BY JIM BODGENER IN ANKARA

ISTANBUL municipality has puzzled contractors by inviting tenders at short notice for a "build-operate-tranafer" contract to build a $600m (£333m) rail tunnel under the Bosporus.

Despite austerity directives from Ankara, it appears already to have a large volume of major transportaton contracts noder bid evaluation. Construction companies question whether or not the tender is a political gambit ahead of anticipated local elections in the autumn.

Altogether, seven ventures, including a strong French contingent, have been invited to return tenders for the rail tunnel on July 31, only two months away.

France's largest contractor, Bouygues, carried out a feasibility study in 1986 for the rail link in the hope of securing a protocol to negotiate exclusively for the scheme.

Tbe low bidder for another Istanbul BOT contract in February to build a third Bosporus bridge was the Turkish contractor Sezal Turkes-Feyzi Akkaya, with a price of $171.5m, far below the second lowest price from the UK's Trafalgar House and the Turkisb company Enka.

Sloce then, the Trafalgar House group has put up fierce competition - but in the spring, a proposal came from central government to combine the bridge with an associated highway on the European side of Istanbul under a single "build-lease-transfer" scheme.

George Wimpey of the UK and Tarmac Intsrnatiooal are co-aponsors of a gronp already selected by the municipality to build the $250m highway.

It still needs central government sanction for the foreign credits involved, especially from the Turkish Treasury, which has set its face against additional major project borrowing.

Combining tbe highway and bridge would require extensive renegotiation - and defer the schemes until 1989 at least.

Mr Bedrettin Dalan, the city's mayor, however, has not relinquisbed demands for anotber major transportation project – such as the tunnel – to ease Istanbul's traffic congestion.

The State Planning Organisation in Ankara favours a rail line over the third bridge. This, it says, would divert traffic away from the city centre as it emerges in Samatya across the Golden Horn.

The SPO would also like to see provision for rail as well as road carriage through the tunnel. The third bridge, far from solving the congestion, would only increase it, since it comes ashore at Besiktas not far from the city-centre Taksim square, the office argues.

Istanbul is s stronghold of the ruling Motherland Party, as well as almost Mr Dalan's personal fief. Clearly, the government does not want to embarrass him too much in advance of the local elections, by cancelling plans for much-needed transport projects.

However, it is pledged to curb municipal spending, one of the main culprits of overheating in the economy during the 1987 election year, which has led to runaway inflation in 1988.

According to the local press, municipalities have already run np external debt burdens of about $2.6bn - of which more than $1bn has been incurred by Istanbul.

By allowing Mr Dalan to invite tenders for the undersea rail crossing, the government may he allowing him to save face with the voters.

Egypt asks Soviet Union to help fund power plant

BY ANDREW GOWERS AND TONY WALKER IN CAIRO

EGYPT HAS asked the Soviet Union to help fund a new $600m (£333m) coal-fired power plant in the Sinai Desert, following lack of progress in negotiations on financing the project with Britain and Japan.

Mr Mohammed Maher Abaza, Minister of Electricity, said this week that the Ayun Musa project was discussed in Moscow recently during a visit by Dr Esmat Abdel Meguid, the Egyptian Foreign Minister.

Egypt was seeking a loan of E£1on (£242m) from the Soviet Union for the 600MW power station which has been under consideration for several years.

Egypt's request for assistance coincides with improved relations between Cairo and Moscow. Dr Meguid's visit was the first to the Soviet capital by an Egyptian foreign minister since relations deteriorated in the 1970s.

It also comes when Egypt is seeking emergency assistance to boost its power-generating capacity in order to overcome possible electricity shortages caused by a drop in the level of the Aswan High Dam, which accounts for at least a quarter of Egypt's power supplies.

Funding for the emergency programme is being held up by cobtinuing disagreements with the World Bank and other lenders on proposed reforms to Egypt's heavily snbsidised energy pricing system.

Mr Abaza said: "Why should we not co-operate with the Russians? The British and Japanese have been reluctant for more than three years."

Negotiations with Britain and Japan have stalled over payment terms on loans for Ayun Musa.

Relations between Egypt and the Soviet Union reached their lowest level in September 1981 when President Anwar Sadat expelled the Soviet ambassador, accusing him of interference in the country's internal affairs.

Full diplomatic relations were restored in 1984, and the two countries have since been moving to extend areas of co-operation. Egypt is also seeking Soviet assistance in refurbishing some of its older factories built by the Russians in the 1950s and 1960s.

The eyes have it: Honeywell Bull advertisement serves as an example of the role digital alteration techniques now play in the art of photograph preparation

Transforming the world where the camera always lies

Paul Abrahams explains how new techniques in picture preparation are changing the face of Britain's pre-press industry

A DOUBLE revolution is under way in the UK pre-press industry. The business, which prepares photographs for reproduction in magazines or on posters, is being transformed by expensive digital technology. This is not only changing the way work is carried out but also the nature of the marketplace itself.

"Two years ago, pre-press was a cottage industry," says Lorna Tilbian, an analyst at Sheppards, the London-based stockbrokers. "Now owner-founders of traditional small businesses just don't have the financial muscle to gain access to new equipment which electronically manipulates colour pictures. Without this technology they cannot compete effectively."

There has therefore been a move towards a concentration of power into the hands of larger organisations with the financial strength to exploit the new processing techniques. Two London-based groups, Parkway and Wace, have led this trend, acquiring between them more than 30 companies in the last 18 months.

For their part the smaller pre-press shops have been willing to join the two groups because they can provide capital for digital technology and communications facilities, as well as the possibility for inter-group trading and the sharing of clients.

"There used to be little interest in technology. The process of preparing and retouching photographs was essentially a craft industry," explains John McKimmie, chairman of the Parkway Group.

"It was almost like commissioning a painting," he says. "Photos were prepared by individual artists who used sable or air brushes to retouch pictures by hand. Now, much of the work can be done on computers."

Almost all photographs in magazines are changed before publication, says John Clegg, joint managing director at Wace.

"As the reader flicks through a fashion magazine it is difficult to imagine how much pre-production work has been done – and how much it cost. The unit cost of a single piece of film might be £5, but once it has been prepared for printing its eventual value could be as much as £5,000.

"Once a photographer has taken a picture of a model, the art director will want to clean it up. Remove the likes of bloodshot eyes and skin faults," he adds.

Clegg gives the example of an advertisement using a fashion shot on a Caribbean beach. It was only discovered at a late stage of the production process that a dog had left a momento of his visit on the sand. This had to be removed from the picture before it was published.

Although such blemishes can be effectively erased by hand-held brushes, the use of computers to manipulate colour images holds a number of attractions for art directors and advertising agencies.

Electronic systems have helped to improve the quality of output, according to Bob Fox, senior associate director of creative services at J. Walter Thompson, the advertising agency.

Art directors can adjust contrast and tone to bring out details on different paper and process combinations in a way which would not previously have been possible.

The new technology is also quicker than traditional methods. Roy Topp, production director at Ogilvy and Mather, the advertising agency, explains that an advertisement which would have taken at least two days to retouch by hand can now be turned round in six hours.

The computer also allows changes to be made at the last minute – an important advantage in the advertising business.

"The technology means the pre-press people can deliver what the art director wants, when he wants and, more importantly, when he changes his mind," says Topp.

John Clegg at Wace gives the example of an advertisement for Citizen watches which showed about 60 timepiece-wearing babies. The caption read, "Every minute a new citizen is born". The image, which was technically difficult to create, was perfect except the watches all showed different times. Clegg says the computer was able to change the faces of the watches quickly and without too much difficulty.

Art directors also believe the use of computers has allowed them to be more creative. Images, which would have been almost impossible to achieve with conventional methods, can now be created relatively easily.

Clegg maintains the Citizen advertisement with the babies would have been almost impossible without computers. The maternity hospital would not allow the children to be photographed in groups of more than four. So shots were taken of three or four babies at a time and then put together by the computer to produce a single shot containing all 60 infants.

To make such innovations possible, Style Colour Studios, a London-based subsidiary of Wace, has developed a system with Crosfield Electronics. This can read transparencies and then manipulate the pictures. The procedure is as follows:

● The image, either a transparency or print, is placed into an input scanner. This digitally records information of as much as 60 megabytes (60m characters) for a single side of A4 and then transfers it onto a disc.

● An operator can then call up the picture on screen and manipulate areas at three times normal resolution, altering, duplicating and moving the images around.

● Following this, information from the newly formed picture is downloaded onto a disc and can be exposed to generate a top-quality transparency. This can then be duplicated.

Scitex of Israel is Crosfield's major competitor in the production of this type of equipment.

A further advantage of digitisation which could have important ramifications for the advertising industry is the ability to transmit data electronically. J. Walter Thompson is testing a system which sends information from Wace to JWT via a British Telecom kilostream cable.

Clegg explains that digital communications could become even more significant with the introduction of a system developed by Crosfield and Scitex. This compresses data for transmission on telephone lines or by satellite to the US. At present, an A4 page can take an hour to transmit, but the new system is eight times faster.

Cliff Bailey, director of press production at Saatchi and Saatchi, the advertising agency, believes that digital technology could eventually lead to a world advertising market.

He explains that the company has been transmitting data to New York since 1983 to avoid delays caused by customs officials searching packages. Instead of spending days with customs men, copy is on the right person's desk first thing in the morning.

Digital technology and the ease of data transmission should also open up continental markets which remain as fragmented as the UK. Indeed, Lorna Tilbian at Sheppards believes that much of the activity now taking place in the British market is evidence of companies jostling for position in preparation for the creation of a single European market in 1992.

"Without doubt, 1992 is a big consideration. A company has to be in a strong position by 1990, otherwise it may as well forget it," she says.

It is, however, by no means certain that even financially powerful and efficient British pre-press operations will find continental European expansion as easy as that they have experienced on home ground.

As an example, Tilbian cites the recent failure of Wight, Collins, Rutherford and Scott, the advertising group, to take a controlling interest in a French company. "In the creative services arena some markets remain particularly unwilling to accept foreign takeover," she states.

Shell forms Dutch link to exploit drugs research

BY DAVID FISHLOCK, SCIENCE EDITOR

"IN RESEARCH and development we often learn how to deal with failure. It is with us all the time. Success, however, is a different kettle of fish."

This was the comment of Harry Beckers, head of R & D at Royal Dutch-Shell, when he learned of the success of a joint venture in pre-competitive research between Shell and Gist-Brocades, a Dutch biotechnology company a tenth of its size.

The two companies have now gone on to form International Bio-Synthetics (IBIS) to try to exploit their successful exploratory research. IBIS has already filed applications for ten patents.

The research undertaken concerns the bio-synthesis of complex organic chemicals used in the manufacture of pharmaceuticals. When synthesised by chemical methods, these often consist of a mixture of equal parts of two compounds, known as optical isomers and one the mirror image of the other in structure.

Usually, however, only one is an active drug. The other is an unwanted contaminant that can sometimes have unpleasant side-effects. (A similar situation occurs in the environment with many biologically active agrochemicals such as pesticides.)

In 1983 Shell International Research Company and Gist-Brocades began joint research on ways of using biotechnology to make the active ingredient unadulterated by its mirror image.

This research identified three types of fine chemical that might be made by bio-synthesis, says Herman Kooreman, IBIS's director of new business development:

● Common intermediates – single compounds used to manufacture several different drugs. A proprietary example is R-Solketal, a chemical used to make many beta-blocking agents and other types of drug.

● Drugs already available as an optically pure compounds, for which biotechnology might prove competitive with orthodox chemical synthesis. Kooreman cites Naproxen, an analgesic sold by Syntex.

● Drugs now accepted as the mixture of two mirror images, which the licensing authorities may in future require to be optically pure. According to Kooreman, the cardio-vascular drugs metoprolol and atenolol and the painkillers ibuprofen and ketoprofen fall into this category.

Where the bio-synthesis is simply an alternative to conventional chemical synthesis, the challenge for IBIS will be to get the cost down. Bio-synthesis tends to be more expensive, because fermentation with micro-organisms requires more dilute solutions than conventional chemical reactions, and bio-catalysts tend to be costly.

Sometimes, however, bio-synthesis can offer a shorter route. If optical purity is the over-riding requirement there may be no alternative to bio-synthesis.

Shell has contributed its Ward Blenkinsop fine chemical business and Gist-Brocades its industrial enzyme business (including detergent and starch-degrading enzymes) to help launch IBIS, which starts life with about 900 employees and sales of about $120m a year.

For the long term, IBIS is trying to build relations with companies that have drugs or agrochemicals still in development. Its objective is to help shape the manufacturing process.

Kooreman says IBIS – "a bird I hope we can make fly" – is seeking a share of a finished pharmaceuticals market which grew 4 per cent to a worldwide total of $90bn (over £40bn) in 1987. The value of the active ingredient in a pharmaceutical averages about 10 per cent of the value of the finished drug.

Although much of this market is "in-house" at present, IBIS believes a multi-billion business-to-business market for fine chemicals is open to competition, and biotechnology is a new tool to help with its problems.

The agro-chemical market is also big, some $14bn worldwide, although bio-synthesis companies will find it tougher to break into this market.

Herman Kooreman believes there will also be new markets for optically pure chemicals in other industries. Such a case is electronics, where there is strong interest in electrically active compounds like liquid crystals.

WORTH WATCHING

Edited by Geoffrey Charlish

Heavy trucks given testing time by police

A MOBILE system for weighing heavy lorries is on trial with the Metropolitan Police in West London. Made by Prozess Automatisierungs-Technik (PAT) in West Germany, the system consists of weighing pads placed on the road so that the lorry can be driven on to them.

Tha pads contain strain gauges and electronic displays that enable axle load or the complete weight of the vehicle to be determined (by connecting several pads together electrically).

The company claims the system can handle up 200 vehicles an hour. Each pad can measure up to 10 tonnes with an accuracy to within 50kg.

So far police using the system in West London have found many transit vans and delivery vehicles np to 16 tonnes to be overweight.

Aircall mobilises emergency service

AIRCALL of London, the communications company, is offering a radio system for those who work in hazardous circumstances and might need to summon assistance.

Mancheck uses personal two-way radios communicating with a base station which is in turn able to contact the police or other emergency services. The base station is programmed to broadcast a signal at regular intervals, adjustable from one minute to one hour. If no response is received from a personal set within a specified time (also adjustable, from five to 55 seconds), the base station dials the control room, the police, or some other outside agency.

To cater for activities that must be carried out in complete silence, the hand-held unit incorporates a visual as well as an audible alert.

CONTACTS: PAT UK, 0992 58896. Aircall: London, 205 6568.

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Rosehaugh Stanhope wins £6bn British Rail project

BY WILLIAM COCHRANE

BRITISH RAIL has chosen a consortium led by Rosehaugh Stanhope, the joint venture between two of Britain's leading property developers, to regenerate 125 acres of land, provisinnally valued at some £6bn, behind Kings Cross and St Pancras railway stations in North London.

The choice is a coup for the joint venture partners, Rnsehaugb and Stanhope Properties, which were selected less than a month ago for a £500m redevelopment of the Royal Docks in Londoo's East End. The partners' shares rose in London yesterday, in anccicipaiinn of the result, by 4lp to 780p in Rosehaugh's case, and by 33p to 321p for Stanhope.

The British Rail Property Board said last night that tbe Kings Cross scheme would be awarded to the Londnn Regeneration Consortium, consisting of Rosebaugh Stanbnpe and tbe National Freight Coosortium wbich is an associated landowner. BR nwns 94 per cent of the land.

It cbose from a field slimmed to two contenders, the losing group being a combination of Speyhawk, tbe prnperty developer, and constructinn group Sir Robert McAlpine. Speyhawk shares fell 21p yesterday to 378p.

Speyhawk is still invnlved, virtually on the same site, in its redevelopment nf St Pancras Chambers on St Pancras Station proper, comprising the refurbishment of the Great Midland Hotel, the creation of 53 apartments and the development of 140,000 sq ft of shops.

The BRBP said that it hoped tbese proposals could be integrated fully into those of LRC. Mr Stuart Lipton, founder of Stanhope, said last night that LRC would be happy to comply.

A detailed scheme now has to be devised for what BR described last night as the "biggest regeneration project in Europe." It then has to be approved by the planning anthority, the London Borough of Camden, left wing and, regardless of its politics, regarded with respect as one of the toughest planning groups in Greater London.

"The real work now begins," Mr Douglas Leslie, managing director of the BRPB, said last oight. "We and the selected developers must . . . meet Camden's planning brief, public aspiration, the needs of the landowners and the criteria of sensible urban economics."

Mr Lipton said that the developers expected to provide housing for 4,000 people, mixed use and community facilities, and see to tbe conservation of listed buildings."Wnrking witb tbe community to get things right," he said, "is very important for us now."

The London Regeneration Consortium had a strong case for its selection as developer for the King's Cross project.

The top men involved have a breadth and depth of experience unusual in today's property development market. There are, for example, long-standing connections with Britisb Rail. Mr Lipton, chief executive of Stanhope Properties, equal partner in Rosehaugh Stanhope, set up the Victoria Plaza project over Londoo's Victoria Station.

Mr Godfrey Bradman, Rosehaugh chairman is noted for his financial skills. He has shown great expertise in picking and financing big City of London projects.

He became associated with Mr Lipton for the latter'a technical, development and architectural expertise, jnst as Mr Lipton acknowledged Mr Bradman's snperior legal and financial skills.

The chosen developer also has size nn its side. Mr Lipton's master company, Stanhope Properties, has just been expanded by a £137m eqnity capital injection from Olympia & York, the Canadian developer. With that, the Rosehaugh and Stanhope parent companies have a jnint equity capitalisatioo not far short of £1bn.

Industry poised to break record for capital investment

BY PATRICK DANIEL

BRITISH MANUFACTURERS are expecting to make a record level of investments this year.

This emerged yesterday with a sharp npward revision nf the Department of Trade and Industry's forecast of investment growth from 11 to 16 per cent.

The DTI's regular survey of industry's investment intentions indicated that the economy would see a snrge in capital spending this year, partly in response to the strong growth in domestic demand.

The forecast corresponds with an estimate hy the Confederation of Britisb Industry – the employers' body – thet there will be investment growth in all industries and that the total for the year will reach £8.7bn at 1980 prices, which would top tbe 1979 peak of £8.2bn.

Total private sector investment, incinding capital spending by construction and service companies, is expected to grow by 12 per cent – against an earlier forecast of 8 per cent – to reach a record £25bn at 1980 prices.

The forecasts follow news last month that actual investments by *manufacturing companies* in the first quarter were up 8¼ per cent over the corresponding period a year ago.

The Treasury, which had forecast 11½ per cent growth in manufacturing investment in the Budget earlier this year, said yesterday that the DTI forecast tied in with its own expectation of very healthy investments.

It added that this was evident in the rise in capital goods imports in this year's balance of payments figures.

The volume of capital imports in April was some 24 per cent higher than a year ago, and was an important factor behind the UK's rising trade deficit.

Mr Kevin Gardiner, economist at Warburg Securities, said growth in investment spending was now oatstripping consumer spending growth.

Ms Joanne Curley of Morgan Grenfell pointed out, however, that the short-term effect of high investment spending would be to cause even higher capital imports this year and a bigger current account deficit.

In her view, this is likely to be bad news for sterling. in the longer term, however, increased investments and higher capacity in industry would mean an easing of the overheating of the economy.

Intervention by Bank pushes up reserves

By Ralph Atkins

BRITAIN'S GOLD and foreign currencies reserves rose by an underlying $814m (£446m) in May.

The increase provided a rough guide to the scale of recent Bank of England intervention in the foreign exchange markets. A large part of the build-np is thought to reflect intervention to moderate upward movements on the pound.

May's increase compared with a rise of $514m in April but was less than an exceptional increase of $2.2bn in March. Total gold and foreign currency reserves last month stood at a record $48.53bn.

Pressure on sterling in May was fuelled by the growing conviction of dealers at the time that it could only move upwards – at least in the short run. The dispute between Mrs Margaret Thatcher, Prime Minister and Mr Nigel Lawson, Chancellor of the Exchequer, added to speculation that the pound would be underpinned by high interest rates.

The increase in reserves was larger than expected hy most independent economists, but yesterday failed to have much impression on financial markets which were focused more on exchange rate and interest rate movements.

Writer, spy: Peter Wright in his Tasmania home

Spycatcher bid to escape legal web moves to Britain

BY TOM LYNCH

SO TANGLED has been the legal web surrounding Spycatcher, the memoirs of Mr Peter Wright, former assistant director of UK intelligence agency MI5, that the final resolution of the British Government's attempt to ban it in Australia came almost as a surprise.

The parallel battle in Britain will be come to a head on June 13, when the Law Lords, the highest court of civil appeal, will decide whether it can be published in the UK.

For the Government, the issue has been about ensuring that secret service officers observe a lifelong duty of confidentiality to the state. To the press, it has been about securing the right to put serious allegations of misconduct before the public.

Most individuals who have any interest in the subject will already have read the book - it has been freely imported from the US since last July. For most people, perhaps the only abiding images of a bewildering two-year tangle of legal battles in three continents are an old man in a wide-brimmed hat blinking in the Australian sunshine and Britain's most senior civil servant admitting to being "economical with the truth."

The British Government got wind of Mr Wright's intended publication of his memoirs in early 1986 and won an injunction in an Australian court.

The hearings began later in the year, and Sir Robert Armstrong, the Cabinet Secretary, was sent to argue the Government's case. He spent several days in the witness box, tormented by Mr Malcolm Turnbull, the aggressive counsel for Heinemann, the book's Australian publisher.

The Guardian and Observer newspapers had published an outline of the allegations in the UK in late June - the most serious was that a group of security officers had tried to destablise the Labour Government headed by Mr Harold Wilson in the 1970s.

On July 11, the High Court granted the Government an injunction banning reports in the two papers of allegations by Mr Wright. The papers failed in an appeal to the Court of Appeal.

The first extracts from the book were published by The Independent on April 27 1987. The London Evening Standard and the now defunct London Daily News followed suit on the same day. The Guardian and Observer applied for the injunctions against them to be lifted. Sir Patrick Mayhew, the Attorney-General, applied to the High Court to have the Independent and London papers committed for contempt.

While the High Court considered its verdict, the Sunday Times published extracts on July 12. Two days later the book was on sale in the US and, boosted by purchases by travelling Britons, it quickly made the best-seller lists there.

On July 22, the High Court discharged the injunctions against the Guardian and Observer. Sir Nicolas Browne-Wilkinson, the Vice Chancellor, said the law would be made an ass if the ban remained now that the book had been published in the US.

However, the Government appealed immediately and the Court of Appeal reimposed the restrictions on the Guardian, Observer and Sunday Times, ruling that they could publish a "summary in very general terms" of the Wright allegations, but not quote him. Lord Donaldson, the most senior of the law lords, said the press had to be allowed to report the news, but not to act as publishers of the memoirs.

When the papers appealed, the Law Lords not only upheld the injunction but added a ban on newspaper reporting of court proceedings in Australia.

The ban on court reporting was widely flouted by the British press. By this time, the Australian case had reached the federal courts and in September an Australian federal judge ended the ban on publication by refusing to extend the injunction. The New South Wales Appeal Court dismissed the British Government's appeal against the decision.

In October, the book was launched in Australia and the first print run was an immediate sell-out. However, a new injunction was obtained when Britain was given leave to appeal to the nation's High Court.

In Britain, the summer was studded with defiance of the court order - even the West Highland Free Press in Scotland ran an extract from the book dealing with Mr Wright's teenage stint on a Ross-shire farm, the local angle. Mr Tony Benn, the left-wing MP, read extracts at Speaker's Corner in London - the traditional outdoor venue for free speaking - to an audience of more than 300 and street traders offered to sell the book at often extortionate prices.

The Government's application for permanent injunctions against the Guardian and Observer was denied in the High Court in December. Mr Justice Scott said government embarrassment was a price which had to be paid occasionally for press freedom. The Government appealed.

The Court of Appeal in February rejected the Government's application to make the injunctions permanent. Lord Donaldson said the situation had been transformed by the book's worldwide distribution, but he dissented from the majority decision to allow serialisation in the Sunday Times.

The Government appealed to the House of Lords, and the final decision is awaited. The Government has not been idle in the meantime - just last month Sir Patrick warned newsagents against selling copies of the book.

Meanwhile, in March the Government began Australian High Court proceedings to disallow publication and retrieve profits from the book. Those proceedings have now failed.

The Government has also been active in pursuing cases in Hong Kong and New Zealand, at an admitted cost in legal expenses of more than £500,000, although some estimates range over £2m. The policial storm of last summer may be felt again after the Law Lords pronounce.

Skyphone makes first mid-air connection

BY HUGO DIXON

WHEN Captain Gary Studd tried to demonstrate Europe's first mid-air telephone call yesterday, he was not entirely successful.

His first attempt reached no further than British Airways' switchboard, as Mr Jim Harris, the BA marketing director to whom he was trying speak, was not at his desk to receive the call. A second attempt was needed.

Even so, Skyphone – a collaborative agreement between Racal, British Telecom and BA – was pleased that the technology, which Racal had developed with a grant from the British National Space Centre, had worked.

As a result, later this year, passengers travelling with BA across the Atlantic on Boeing 747 jets will be able to call 185 countries from mid-air.

From the end of the year, other airlines will be able to offer their passengers a similar service and, from next year, fax and telex facilities are expected to be added.

Skyphone's service works via satellite and can, therefore, be used even when aircraft are crossing oceans.

It differs from services operating in the US, which use terrestrial radio and are only suitable when flying over land.

The telephones will be operated by credit card, with airlines paying BT about $8 a minute. British Airways would not say what the final cost to the passenger was likely to be.

GLOBAL INTEGRATION OF JAPANESE MANAGEMENT — ADVERTISEMENT

Japan's Restless Trading Company

As one of Japan's leading trading companies, C. Itoh's activities span the globe. This restless giant of Japanese industry is now making a concerted push into the information sector, with a new satellite and communications network. President Isao Yonekura outlined the group's plans.

By Brian Robins

Robins: C. Itoh is now in the final year of 'Plan 88'. How successful has it been?

Yonekura: I can give two answers—one part of the plan has been successful, one part has not. You see, 'Plan 88' was formulated in 1985, and implemented from 1986. At that time the exchange rate was about ¥240 to the dollar. So, as far as the quantitative aspects of the plan are concerned, sales and profits, there have been discrepancies.

But qualitatively, in terms of changing the nature of the company, we have been able to act according to the plan. What I mean by this is being able to cope with a sophisticated information society, coping with internationalisation, and training our staff accordingly.

Plan 88 a success

To prepare for the sophistication of information needs, we have proceeded with plans for communications satellite for domestic use, for example, which will be launched next year. In the international sphere, we have a consortium carrier called International Digital Communications, Inc. together with Cable and Wireless and Toyota Motor, so we have been creating subsidiaries in order to meet the needs of our age. This is what I mean by qualitative changes, and they have gone according to the plan.

Robins: The currency shift has also aided expansion of your import activities.

Yonekura: Yes. As far as imports are concerned, it has worked to our advantage this year. It has also contributed greatly to price stability. In Japan, until two or three years ago, industry emphasised exports. So, tranding companies including ourselves experienced a blow because we were also geared up for exports, so we suffered and were faced with large changes. But it is true that in areas such as timber, pulp and paper and food, the currency shift has been advantageous.

Robins: What progress have you made in increasing imports into Japan?

Yonekura: Over the past year, we have been working on ways of expanding the range of products imported into Japan. In the past, Japan mostly imported raw materials—iron ore, coal and the like—for processing. That was the pattern.

Now, the ratio of finished products among all imports has reached 45 per cent, and it could rise to 50 or 60 per cent in the future. To deal with this environment, we have remodelled our company structure so that each department can handle imports. In order to promote imports, we have established a special head-office fund, to give assistance in helping them boost imports at the beginning.

Also, we introduced a system in which each overseas branch could export at least one item into Japan, which we have been doing for the past two years or so.

Robins: C. Itoh is making a large investment in the field of telecommunications. Will there be sufficient growth in demand for these services to generate a return on your investment?

Yonekura: We are confident of earning a return on our investment. Before we went ahead with our communications satellite plans and investment in a second international telecommunications network for Japan, which followed the government's decision to liberalise this sector, we conducted exhaustive feasibility studies which clearly demonstrated the potential for growing demand. In our society, we have experienced the industrial revolution, and now we are undergoing another transformation with a growing role for sophisticated information systems.

Satellite launch in 1989

As you know, when Japan's communications sector was liberalised in April 1985, we established Japan Communications Satellite Co., Inc. Our first satellite is to be launched in February 1989, and its operation will commence next spring. Naturally, once it is operational, we expect a further increase in the number of customers using this service.

If you take the USA, about 30 commercial communications satellites have been launched, and the majority are already profitable. But in Japan there are no private sector satellites. If you look at Japan, and the level of its economy and society, it is strange that there are no private sector satellites. So in this light, don't you think that there will be sufficient profit?

Robins: Cable and Wireless is a partner in the communications venture. Do you harbour plans of moving further into this field, say, in Europe?

Yonekura: No. For the time being we are not thinking of going into Europe. We are partners with Cable and Wireless of the UK and also Pacific Telesis of the US, and in Japan, with Toyota Motor, in order to form an international communications business, mainly based in Japan.

In Japan, we have just one international communications company—KDD—and it is an official monopoly, so there is a great deal of scope for providing an expanded service. In 1985, with the new legislation, this telecommunications sector was opened up to the private sector, so we decided to form a partnership with Cable and Wireless, which is one of our longstanding customers, which operates in Europe and in Asia. We felt that to team up with a specialist company was the best way to go, so we could tap into their expertise.

Communication demand surge

When we looked at the results of a feasibility study for a second international carrier for Japan, we saw very great potential needs in the market. Japanese companies have established business operations in South East Asia, Europe, the US, South America, and so on. Also, US and other financial institutions have established operations in Japan, which is now one of the financial centres of the world. So, our feasibility study showed clearly that there would be great potential demand in this field.

Mr. Isao Yonekura, *President, C. Itoh & Co., Ltd.*

Robins: One of the main issues of Japan's business community over the past six months has been the need to internationalise Japan's workforce. What are your views?

Yonekura: As far as Japanese companies in general are concerned, I don't think there has been too much progress in this area.

Internationalisation of management

But last year, we promoted a Korean, who is a US citizen, as a member of board of the head office. I think we are the first 'sogo shosha' to do so. Also, every year we invite some of our overseas staff to come to Japan for training. Of course if there are people in our overseas operations, in for example U.K., Brazil or Canada suitable to take responsibilities as an executive in the head office, such people would be appointed. Unfortunately, at this moment the only person fit for such a job was the American that I mentioned. Over the next few years, there may be further progress on this point.

Also, we have revised our personnel management system in our overseas operations. In America, C. Itoh America is an independent company, and it has been told to create a system of personnel management suitable to America, a system appropriate to attracting staff of a high calibre. This new system will be applied from July this year.

Robins: Over the next few years there are likely to be many opportunities for expansion in Europe as the EC moves towards 1992. How does C. Itoh intend to take advantage of this?

Yonekura: We would very much welcome such a trend, and we would seek opportunities as they arise. In the U.K., our branch there has been converted into an independent company, and also in France and in Germany. As such, they have a free hand. We tell them to seek their own profits and survive on their own. We direct them not just to depend on trade with Japan, so they work on their own and they have already been trading successfully, independent of C. Itoh in Japan, and making profits.

C. ITOH & CO., LTD.

Tokyo Head Office: 5-1, Kita-Aoyama 2-chome, Minato-ku, Tokyo, Japan
Tel: (03) 497-2121 Telex: J23111 ITOHCHU
C. Itoh (UK) PLC: 76, Shoe Lane, London EC4A 3JB
Tel: (01) 822-0822 Telex: 264931 CITOH A-G
Other Offices in Europe: Madrid, Las Palmas, Lisbon, Düsseldorf, Hamburg, Oslo, Stockholm, Zurich, Paris, Milan, Athens, Rotterdam, Brussels, Vienna, Belgrade, Sofia, Prague, Budapest, Warsaw, Berlin and Bucharest

New York, São Paulo, Cairo, Sydney, Hong Kong and 118 overseas offices

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Japanese-US links 'make car industry vulnerable'

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

THE EUROPEAN motor industry had been made vulnerable by the growing links between Japanese and US car producers, Mr Graham Day, chairman and chief executive of Rover Group, said yesterday.

The world motor industry had become a "global village with a spider's web of collaborative agreements," but the strongest tie was between Japan and the US, he said in a speech to the national conference of the Motor Agents' Association in Birmingham.

Mr Day said he expected links between Europe and both Japan and the US to increase, but it was likely to remain extremely difficult to achieve greater strategic collaboration between resident producers within Europe.

It was hard to be collaborators and competitors within the same market, he added.

Mr Day said there would be more and more international component supply agreements mirroring the pattern that had emerged among vehicle assemblers.

West Europe remained the most competitive and most fragmented of the three major world car markets.

There was a risk of the European producers fighting each other to a standstill allowing opportunities to go to the US and Japanese carmakers.

Graham Day: motor industry a global village

In the US, Europe and Japan car markets were likely to become more fragmented and segmented as manufacturers sought to add more value and profit through technology and niche marketing.

He gave a warning that overcapacity in the world motor industry would grow as more capacity was added, particularly in the US and Europe, at a time when world capacity to build cars already outstripped the number of customers wanting to buy.

The UK itself was an overcrowded market. At the last count it had 163 different model ranges from 40 manufacturers.

Mr Day said that Austin Rover, which was perceived as a volume producer by image, was "aspiring to a more specialised status through product positioning and the qualities of products yet to come."

Mr Garel Rhys, professor of motor industry economics at the University of Cardiff, forecast that Nissan's commitment to car manufacturing in the UK could grow rapidly beyond its current plans for vehicle production of about 200,000 cars a year by 1992.

A production total of 500,000 cars a year by 1998 based on three basic models could not be ruled out.

With two basic models – the Bluebird and the planned Micra-class car – Nissan already matched the UK model programme of Vauxhall and Peugeot and one more car would draw it level with Ford in Britain.

Prof Rhys also forecast that Toyota, the biggest Japanese car producer, would follow Nissan by investing in Europe to give its dealer network more cars to sell.

Martell distribution deal still unresolved

By Lisa Wood

THE FUTURE of a joint distribution agreement in the Far East between Grand Metropolitan, the UK drinks group, and Martell, the French cognac house recently acquired by Seagram, the Canadian drinks group, has not yet been resolved, Seagram said yesterday.

Mr David Sacks, president of Seagram, said yesterday that his group had had "extremely preliminary" discussions with Grand Met over the distribution agreement.

Grand Met struck joint distribution agreements with Martell – of particular importance to it in the Far East – when it took a stake in the business last year.

This year Seagram emerged the victor of a heated battle with Grand Met to acquire Martell. Seagram wanted to complement its own distribution network in the Far East with that of Martell as well as acquire its cognac brands.

Grand Met said during its bid that its agreement with Martell was binding and it would claim substantial compensation should Seagram acquire Martell and seek to terminate the agreement.

In the UK, Martell brands are distributed by Matthew Clarke, the small drinks manufacturer and distributor.

Seagram has its own distribution network in the UK and its acquisition of Martell has raised questions over whether Matthew Clarke will retain the distribution of Martell brands.

Mr Sacks said the issue of distribution in the UK would not be resolved until there was an agreement with Grand Met.

Last year Seagram sold its 13.8 per cent stake in Irish Distillers, the Irish whiskey producer which is currently the object of a hostile joint bid from Irish offshoots of Allied-Lyons and Grand Met.

Seagram is the distributor of some Irish Distillers brands and the Irish company's future is of interest to it.

Mr Sacks shrugged off City of London speculation that Seagram itself might wish to bid for Irish Distillers. He said:" We have not been asked and we have not volunteered to step in."

Direct injection diesel engine for Austin Rover car range

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

AUSTIN ROVER will be one of the first West European car makers to introduce a direct injection diesel engine to its passenger car range later this year with the delayed launch of its MDi engine developed jointly with Perkins Engines.

The introduction of the engine, which was launched in the Maestro van in late 1986 in a normally aspirated version, has been held up for more than a year as Austin Rover and Perkins, the UK subsidiary of Varity Corporation (formerly Massey Ferguson) of Canada, sought to overcome noise and vibration problems.

The delay allowed Fiat of Italy to beat Austin Rover into first place, when it announced in April that it was to introduce a direct injection diesel engine into its top-of-the-range Croma executive car.

Direct injection offers advantages in both fuel economy and performance over conventional diesel engines.

The Austin Rover/Perkins engine has been developed during the past five years from its O-series petrol engine at a cost of £27m, part of which has been funded by the UK Government.

Austin Rover said yesterday that a two-litre turbo-charged version of the MDi engine would be introduced in its mid-range Montego saloon and estate car models in the autumn.

The main markets for the car will be Italy, France and Spain, where sales of diesel-powered cars are encouraged by tax differentials, but the car will also be sold in the UK.

Originally Austin Rover had intended to introduce the engine in the Maestro saloon as well. But this plan has been dropped because the Maestro itself is to be replaced next year when Austin Rover launches its new small family car, code-named the R8, which has been developed jointly with Honda.

The company changed its strategy for the direct injection diesel engine about 18 months ago when it was decided to redesign the engine mountings to overcome the noise and vibration problems and to opt for turbo-charging to improve performance.

Perkins already markets the engine separately for industrial applications.

The markets spy a formula in Lawson's policy, writes Simon Holberton

Rate rise may tempt the speculators

AFTER STERLING fell another 2 pfennigs yesterday morning the Government had no option but to raise base rates–no option if it did not want to see its monetary policy dissolve before its eyes.

Whether or not yesterday's ½ percentage point rise in base rates will suffice to stabilise the exchange rate at current levels remains moot. The pound's moves after the base rate rise suggested that currency markets may want to test the Government's mettle further.

The one thing certain about this week's sell-off of the pound is that it had little to do with economics or the current state of the UK economy.

It had more to do with the book position of currency traders–they had more pounds than they thought worth holding–and the fact that, once one of them decided to realise the gains made over the past two months, an avalanche began as other investors' "stop loss" levels were reached.

Sterling's susceptibility to these market moves was underlined yesterday when, at around 11am, a UK clearing bank decided to sell the pound aggressively. Sterling fell from around DM3.14 to around DM3.12 in minutes. By noon, the Bank of England had cut base rates.

Perversely, however, the Government's response, which was consistent with its stated policies, may further fuel speculation against the pound. It is, after all, a policy which does not command much respect among London professionals, who have been profoundly agnostic about the official explanation for movements in interest rates since the pound was uncapped on March 7.

The official explanation for yesterday's rate rise was broadly in line with expectations. The fall in the value of the pound amounted to a loosening of the monetary reigns and these needed to be tightened by a rise in interest rates.

Mr Nigel Lawson, the Chancellor of the Exchequer, and Mr Robin Leigh-Pemberton, Governor of the Bank of England, have, since the beginning of the year, made a virtue of the classical principal of symmetry.

They warned industrialists that the pound would not be allowed to depreciate so as to accommodate excessive wages growth. This meant that interest rates would rise to support the currency in the event of a sell off.

After the dispute between Mr Lawson and the Prime Minister after the decision to let the pound rise above DM3.00, the Treasury and the Bank offered a further gloss to the concept of symmetry: to bear down on inflation, monetary conditions must be set at the required level of tightness.

The operation of current policy appears, in the words of Dr Paul Chertkow, a currency economist at brokers Hoare Govett, to be a "speculator's dream."

Although the authorities deny there is any mechanical relationship between movements in exchange rates and base rates it does appear as if the Treasury is operating its much publicised exchange rate/interest rate formula. This suggests that for a 4 per cent rise or fall in the exchange rate an opposite movement in base rates of 1 percentage point can be made.

Now that yesterday's rise in base rates appears to have validated this formula it is possible that currency markets will trade the pound up and down in the belief that they are immune from anything the authorities do. This would probably be a mistake, but who could forgive them?

If any conclusions can be drawn from yesterday's move in base rates it would seem that British industry and financial markets will have to get used to more frequent movements in short term interest rates.

The pointer to these movements is the exchange rate. Given the Government's commitment to maintain a predetermined level of monetary tightness, it would appear that interest rates will rise if the pound falls substantially below DM3.10 or be cut again if it rises to a level of around 3.18.

The Government may, however, find itself bailed out by the other central banks. If the Bundesbank and the US Federal Reserve raise interest rates this could relieve some of the pressure on sterling and allow higher interest rates while sterling is low against the D-Mark and the dollar.

This could allow the Bank of England to achieve its desired mix of higher interest rates and a lower exchange rate, but few UK market players yesterday were prepared to describe that scenario as much more than a hope born of wishful thinking.

Accountants take exception to the extraordinary

Richard Waters explains the significance of a row over the placing of unusual items in company accounts

WHAT to the rest of the world is merely a semantic difference is causing continuing problems for companies and their accountants, casting doubt over the comparability of some companies' reported pre-tax profit figures.

Deciding whether an item in a profit or loss account is exceptional or extraordinary can make a big difference to results. By definition, these items are "material", which to an accountant generally means that they would swing a figure by at least 10 per ceot.

The latest focus of this debate is on losses sustained by companies on their equity investments as a result of last October's stock market crash.

An "exceptional" profit or loss arises in a company's normal course of business, but is so large or unusual that it must be shown separately.

An "extraordinary" one, on the other hand, falls outside the normal scope of business and is "expected not to recur frequently or regularly."

These definitions, contained in Statement of Standard Accounting Practice 6 (*Extraordinary Items and Prior Year Adjustments*), a standard text in the field, are a continuing source of headaches for auditors.

Since exceptional items appear before pre-tax profit, while extraordinary ones are taken below the line, there is an abiding advantage for companies in treating unusual profits as exceptional, while sweeping away unusual losses as extraordinary.

The debate highlights a crucial issue for accountants: whether or not accounting presentation actually matters. Analysts argue that because both extraordinary and exceptional items are disclosed, informed readers can make their own judgments about the nature of a company's earnings. The stock market is not fooled, whatever the accounting treatment.

This highlights a trend which has undermined the accountants' preserve in recent years. Greater disclosure bas come to be accepted as an alternative to consistent accounting.

In trying to reverse this trend, accountants are in part defending their place in the communication of financial information.

The accountants have powerful arguments on their side. "Pre-tax profit is what goes into the earnings per share calculation and newspaper beadlines," says Mr Geoff Mitchell, the technical director at the Institute of Chartered Accountants in England and Wales.

With the growth of financial databases it is also the figure that flashes onto a growing number of computer screens, unqualified by the notes to the accounts or auditors' reports, he says.

It also often affects the amount paid out under a profit sharing scheme -a factor of prime consideration to Farnell Electronics, a medium-sized electronics company which is at the centre of the lastest dispute over extraordinary items.

Farnell invested part of its substantial cash surplus on the stock market and lost £1.4m when the market plunged last October. It decided to show this below the line in its accounts, to protect its staff profit-sharing scheme.

The company admitted that this did not comply with the accounting standard, and pointed out the effect in a note to its accounts.

Its auditors, Sagar Croudson, also highlighted the discrepancy in their audit report. The investment was a current asset, rather than a fixed one, and so the loss could not under SSAP6 count as extraordinary.

Significantly, though, the auditors did not qualify their report on the accounts – implying that they agreed with the treatment.

The accountant in charge of the audit, Mr Peter Naylor, is clear that he would have prefered the loss to be taken above the line.

However, full disclosure in the notes, and his own indication of this note in his report to shareholders, was enough in his view to make up for the accounting treatment.

Other auditors take a different view. "We're taking a consistent line on this. Unless there is a very good reason, companies should treat these items as exceptional," said Mr Matthew Patient, technical partner at Deloitte Haskins & Sells.

A Deloitte client, investment company Tyndall Holdings, received a qualified audit report from Deloitte in April for taking a £4.3m loss below the line. Had it been taken above the line, the company would have suffered a loss of 2.4p per share, rather than the earnings per share of 10.9p actually reported.

On the other hand, home furnishings group Coloroll claims the support of its auditors, Binder Hamlyn, for a £4.7m below-the-line provision in its interim accounts. This related to its sale of a stake in a listed company which had been built up with a view to launching a full-scale bid.

This is justified by SSAP6, which lists as an example of an extraordinary item a profit or loss arising from "the sale of an investment not acquired with the intention of resale", says Coloroll finance director Mr Eric Kindle.

Faced with the same situation, Lloyd's broker Dewey Warren (audited by Peat Marwick McLintock) opted at the beginning of May to report a loss of £19m on its stake in merchant bank Morgan Grenfell above the line.

The accounting standard leaves plenty of scope for disagreement. Profits or losses arising from the sale of fixed assets may be taken either above or below the line, it says. The nature of the event that caused the loss will determine which treatment is right.

Faced with the problem of deciding whether the stock market crash itself was exceptional or extraordinary, it is not surprising that companies and their auditors have not always been able to agree on accounting presentation.

Banks ease membership of clearing system

BY DAVID LASCELLES, BANKING EDITOR

UK CLEARING banks are to ease qualification requirements for banks and building societies wanting to join the clearing system.

New rules, announced yesterday, are intended mainly to open up clearing to smaller financial institutions, particularly building societies which have been given broader banking powars by recent legislation.

The changes are also being introduced with an eye on the unified European market due for the end of 1992 when foreign banks are expected to take a closer interest in the UK.

The Association for Payment Clearing Services, umbrella body of the four companies which handle clearing in the UK, said yesterday it was more than halving the volume criterion for BACS, the company which clears high volume electronic payments.

Applicants will have to handle at least 5m payment items a year. This compares with the minimum ½ per cent of total BACS turnover required by the old rules. This would have worked out at 15m items under BACS' expected 1990 volumes, when the next entrants will be admitted.

Tha decision to lower the threshold followed the failure of talks aimed at achieving group membership of APACS for smaller institutions. Mr Dick Allen, chief executive of APACS, said this was unfeasible because of the strict standards of supervision and performance required of clearing members.

APACS bas 18 members, including three building societies. Of these, 15 are members of BACS, which is the fastest growing of the mass clearing systems, handling regular payments such as salaries, standing orders and direct debits.

The other clearing companies are Cheque and Credit, which covers mass paper-based payments like cheques, CHAPS for high value electronic payments, and EFTPOS for the emerging electronic credit card market.

Company Notices

Exhibitions

THE PROPERTY MARKET

Return of Trafalgar's entrepreneurial zip

By Paul Cheeseright

THE GUARD changed at Trafalgar House Property this week. David Calverley took over as chairman from Geoffrey Carter, who is retiring after being with the group since the 1960s. The change had been planned a year ago. It has taken place against a background of renewed group aggression in the commercial property sector.

There have been those in the City of London who felt that the old Trafalgar House entrepreneurial zip had faded away in the early and mid-1980s, that the most exciting developments had been brought to it from Brookmount, an associated company, or were in the US. Some believed that Trafalgar House had been supplanted or upstaged by a new generation of developers.

Certainly there was a clearing out of industrial developments in the mid-1980s and the group was scarred at the end of 1984 by its failure to obtain more than £45m for Plumtree Court, a Holborn development which came on the market when Holborn was not as fashionable as it is now. Trafalgar House did not participate to any marked degree in the City office boom.

"In 1983 we actually pulled back on the commercial side. We spent the next two or three years building up the housing side," says Mr Calverley. "Eighteen months or two years ago we wound up the commercial side again."

Partly, the housing side was built up through the acquisition of companies like Comben and Broseley. This has made Ideal Homes, the Trafalgar House residential property arm, the fourth largest house builder in the country.

In its figures Trafalgar House does not split residential and commercial property earnings, but in the last set of figures, for the six months to March, when property and investment operating profits were £50.5m, the residential side probably accounted for about three quarters.

So the group has been able to ride the residential property boom. The question now is whether it will also be able to exploit the firmness of the commercial property market. Here it is worth stressing that Trafalgar House does not buy to hold. Rather it develops to sell.

Looking to the medium term, lack of wide exposure to the City probably helps. Although it has five schemes in hand, covering a total of 270,000 sq ft, they are in relatively small lots – large enough to mean something in terms of potential earnings but not so large as to be dangerous when the market hits a plateau or moves into over-supply.

For the rest of the office sector, there are six schemes in the West End of London and 10 either in its outer suburbs or in the provinces, with an average size of 50,000 sq ft.

On the retail side there is 1.2m sq ft under development in 10 schemes. But the biggest, and potentially most exciting, has been the push into business parks – a direct extension of Trafalgar House's earlier involvement with industrial property.

The group has 350 acres under development in five schemes scattered around the south and south-east, the biggest of which is at Brooklands, near Weybridge in Surrey. Purchase of land from GEC and Vickers in 1986 signalled that the commercial property side of the group was emerging from its chrysalis. Last year the potential of Brooklands was widened when, through the 80 per cent owned Trafalgar Brookmount, a joint venture was formed with British Aerospace, the adjoining landowner. The two have 292 acres to play with.

Pushing aside any qualifications about the medium-term future of the City market, there are five factors at play in the industry that suggest the Trafalgar House programme should boost commercial property earnings:

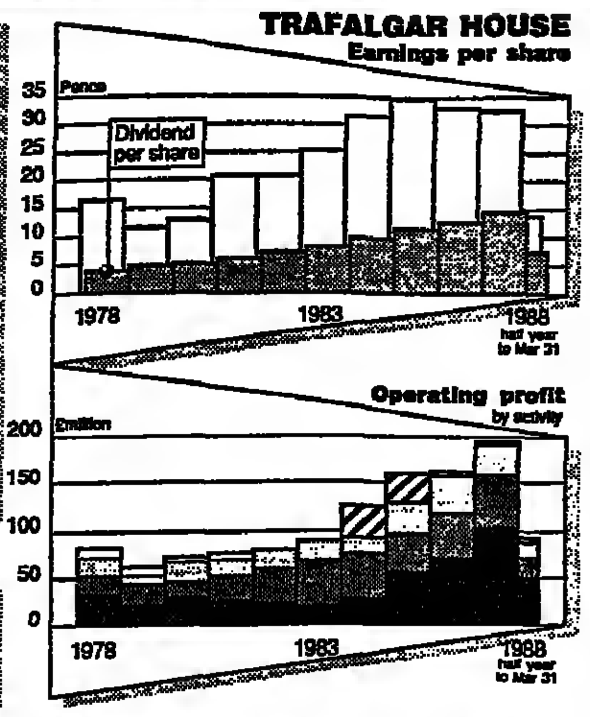
- Renewed institutional interest in property, which makes the task of selling completed developments easier.
- A growing tendency towards the owner-occupation of commercial property.
- Trends towards the decentralisation of offices and finding an agreeably landscaped office environment.
- Greater flexibility in the use of light industrial property brought about by the change in the Use Classes Order that designates one business category of usage.
- The continuing appetite, at least for a while, of retailers for new premises.

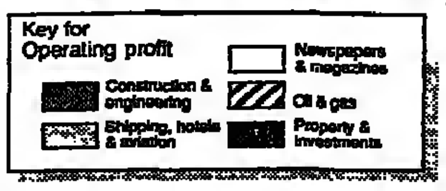
The indications are then that Trafalgar House is better placed in the commercial property market than it was four or five years ago. This position was enhanced by the purchase last December for £198.4m of Chase Property, which brought with it a portfolio already for sale plus developments coming on stream. There is an £80m sales programme going on.

Mr Calverley says the Chase acquisition was the most significant element of the Trafalgar House expansion. The group had tha cash from a £306m rights issue, originally designed to finence what became the thwarted bid for the Pension Fund Property Unit Trust. It had in front of it a distressed seller.

The deal was put together in five days. It showed an aggression and opportunism that the market thought had been lost.

David Calverley





Making the most of autonomy and strength

THE BASE of Trafalgar House's earnings has traditionally been property, although the percentage contributions have waxed and waned. Now they seem to be going up. Mr David Calverley runs an autonomous profit centre in the group and he is under instructions to produce 15 per cent plus annual compound growth.

Trafalgar House Property works with the group's construction divisions in that the property developments are constructed within the group. "But we always put an outside firm of quantity surveyors between us and the group contracting companies," says Mr Calverley. The group contractors are treated in the same way as any outside contractor if they do not perform. "We are in property development for property development's sake – it is not a feeding mechanism for our contracting companies."

Finance for property development comes from the group's treasury and is paid for at commercial rates. "We draw up a blueprint for the business in detail for two years and for five years in cash requirements. We sit down once a year and agree the blueprint. If a really major scheme came along, we could go back and say there is something special we want to do," Mr Calverley explains. The Chase Property purchase, for example, was not in the blueprint.

On specific projects, he says: "As a rule of thumb, we like to have 50 per cent of our own money in it and 50 per cent pre-funded. Our own money would come from capital and reserves or conventional borrowings. We pre-fund normally with institutions."

In the classic pattern of developers, Trafalgar House puts its own money up front, buying a site which needs planning consents and so on and then bringing on a project to the point where it can be pre-funded, developed or simply sold on.

"Historically we have not done much in the way of joint ventures but we are finding that with the schemes we want to get involved in, it is quite appropriate to bring in partners, like British Aerospace at Brooklands. This also has the advantage that if a landowner wants to remain with his land, he can stay in through the development process."

The institutional funds tend to come in either before the development process has started or at the end when the scheme is let. The difficulty about pre-funding, especially with a project like a business park which appeals to a variety of potential owner-occupiers, is that it cuts down the sale options and eliminates some of the profits growth if property prices are rising.

For office developments, Trafalgar House is looking to sell on yields of between 5 and 7 per cent in central London. "You couldn't have done that three years ago, there really was no market," says Mr Calverley. In the provinces, yields of around 9 per cent have been more normal.

Company Notices

IN THE SUPREME COURT OF BERMUDA
IN THE MATTER OF
CAMBRIDGE REINSURANCE LIMITED
(In Liquidation)

By an Order dated 26 May 1988 the Court has directed the joint liquidators of Cambridge Reinsurance Limited that:

(i) if by 7 August 1988 no creditor or Insurance Debtor of Cambridge Reinsurance Limited shall have informed the joint liquidators in writing of their intention to apply to the Court to be made a party to the Summons dated 15 June 1987, issued by the joint liquidators for directions to enable them to estimate on an actuarial basis the value of the contingent liabilities and other liabilities of uncertain value to its creditors, for the purpose of opposing the making of an Order for the said directions or

(ii) if by 7 September 1988 no creditor or Insurance Debtor who shall have so informed the joint liquidators shall have applied to the Supreme Court of Bermuda to be so joined for such purpose then the joint liquidators shall be at liberty to apply exparte for the relief sought in the said Summons.

Accordingly any creditor or Insurance Debtor who wishes to apply to be joined as a respondent to the Summons for the purpose of opposing the making of an Order for the said directions must notify the joint liquidators in riting of their intention no later than 7 August 1988 at the following address:

Cambridge Reinsurance Limited (In Liquidation)
P.O. Box HM2079
Hamilton HM HX,
Bermuda.

Thereafter any such person who has so notified the joint liquidators must apply to the Court by no later than 7 September 1988 to be joined as a respondent to the proceedings.

In the event that the Court considers that it is in the interests of creditors generally or of some class or classes of creditors that it should hear argument from such respondent in opposition to the making of the Order sought, the joint liquidators will apply for an Order that they be at liberty to pay the proper costs of such respondent out of the assets of the company as costs of the winding-up.

If no creditor or Insurance Debtor notifies the joint liquidators in writing by 7 August 1988 of their wish to act as a respondent in opposition to the said Summons, or having notified, no creditor or Insurance Debtor applies to be joined as a respondent by 7 September 1988 then the Court has directed that the joint liquidators shall be at liberty to apply ex parte for the relief sought without further notice to creditors or Insurance Debtors.

D.E.W.Lines & G.A. Weiss
Joint Liquidators.

Gencor Group
Gold Mining Companies
DIVIDEND DECLARATIONS

NOTICE IS HEREBY GIVEN that dividends have been declared by the undermentioned companies, payable to members registered at the close of business on 17 June 1988.

The registers of members of the companies will be closed from 20 June 1988 to 1 July 1988, both days inclusive.

The dividends are declared in the currency of the Republic of South Africa. Payments from the United Kingdom office will be made in Sterling at the rate of exchange ruling on 26 July 1988, or the first day thereafter on which a rate of exchange is available.

Dividend warrants will be posted on 5 August 1988.

In the case of non-resident shareholders, taxation of 15 per cent will be deducted.

The full conditions of payment may be inspected at or obtained from the London office of the companies or the offices of the transfer secretaries.

The companies mentioned are incorporated in the Republic of South Africa	Class of share/stock unit	Dividend Number	Description	Amount per share/stock unit (cents)	Total for the year (cents)
Beatrix Mines Limited Company No. 77/02138/06	Ordinary	6	Interim	37	–
Buffelsfontein Gold Mining Company Limited Company No 05/33934/06	Ordinary	62	Final	260	585
	Preference	6	Final	126	258
St. Helena Gold Mines Limited Company No. 05/20743/06	Ordinary	86	Interim	135	–
Stilfontein Gold Mining Company Limited Company No 05/33412/06	Ordinary	68	Interim	40	–
The Grootvlei Proprietary Mines Limited Company No. 01/02088/06	Ordinary	99	Interim	30	–
West Rand Consolidated Mines Limited Company No. 01/01978/06	Ordinary		Interim	NIL	–

Note:
Chemwes Limited, the company in which Stilfontein and Buffelsfontein hold an 80 and 20 per cent share respectively, declared an interim dividend of R 6,7 million.

By Order of the Boards
per pro. GENCOR (U.K.) LIMITED
London Secretaries
L. J. Baines

30 Ely Place
London EC1N 6UA

2 June 1988

London Transfer Secretaries:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

RAND MINES LIMITED
(Formerly Transvaal Consolidated Land and Exploration Company Limited)
Registration Number 01/00656/06
(Incorporated in the Republic of South Africa)
A Member of the Barlow Rand Group

PAYMENT OF COUPON NO. 99

With reference to the Company's interim report and dividend notice advertised to the press on 9th May 1988, the following information is published for the guidance of holders of share warrants to bearer. The dividend was declared in South African currency and in accordance with the conditions of payment of the dividend payment from the offices of the Secretaries of the Company in the United Kingdom will be made in United Kingdom currency at the telegraphic transfer rate of exchange between Johannesburg and London which ruled on 30th May 1988.

Payments will be made against coupon no 99 on or after 4th July 1988 at U.K. currency at the Securities Department of Hill Samuel & Co Limited, 45 Beech Street, London EC2P 2LX, or in French currency at Credit Lyonnais, 19 Boulevard des Italiens, 75002 Paris.

Coupons must be left for at least four days for examination and may be presented any weekday (Saturdays excepted) between the hours of 10.00 a.m. and 3.00 p.m.

Republic of South Africa non-resident shareholders' tax will be deducted at the rate of 15 per cent. United Kingdom income tax will also be deducted from coupons presented for payment at the Securities Department of Hill Samuel & Co. Limited, unless coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deductions are made the net amount of the dividend is as follows:-

	South African Currency per Share - Cents	U.K. Currency Equivalent per Share - Pence
Amount of dividend declared	105.00	25.32822
Less: South African non-resident shareholders' tax at 15%	15.75	3.79923
	89.25	21.52899
Less U.K. Income Tax at 10%		2.53282
		18.99487

3rd June 1988

SECRETARIES OF THE COMPANY IN THE UNITED KINGDOM
Charter Consolidated Services Limited, 40 Holborn Viaduct, London EC1P 1AJ

NOTE: The Company has been asked by the Commissioners of Inland Revenue to state:
Under the double taxation agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 15% instead of at the basic rate of 25% represents an allowance of credit at the rate of 15%.

(Incorporated in the Republic of South Africa)
Registration No. 01/00656/06

RAND MINES
Member of the Barlow Rand Group
BREAKING NEW GROUND EVERY DAY.

Business schools

An expression of faith in management education

IMI and Imede may merge with key decisions untaken, reports Michael Skapinker

THE DIRECTORS of two prestigious European service organisations will soon vote in favour of a merger. They have oo idea what the merged organisatioo will be called, where it will be based or who its chief executive will be.

In tbe past, each organisation has claimed that the services it provided were substantially different from those provided by the other. Now that the merger is in prospect, they think that tbeir services might actually be very similar.

They cannot be certain, however. Despite being based in neighbouriog cities, the two organisations do not know each other very well.

Faculty at the Internatiooal Managemeot Institute (IMI), in Geneva, and Imede, in Lausanne, who do a fair amouot of consulting, say that if any of their clients proposed to enter into a merger on such a basis, they would tell them not to be ridiculous.

Derek Abell: Would he like to be dean? "Yes I would"

On June 16, however, the hoards of the two husiness schools will meet separately to vote on just such a merger. Despite some misgiviogs, both boards are expected to give their approval. The prize, as they see it, is the chance to become one of the world's premier providers of management education.

Subsidiary questions, such as who the dean of the oew merged institution will he, what the school will be called and where it will be based, will be settled later.

Why are staff at the two Swiss-based schools prepared to countenance the sort of marriage they would criticise if it was being proposed by two companies?

"Business schools are not businesses," says Paul Strehel, Imede's director of research. "Our faculty is run on a fairly collegiate basis. We are prima donnas. The only way you can carry out thls merger is to cement it at the top. Then the faculty is obliged to come up with solutions that work."

Staff at IMI tell a similar story. If the two schools tried to work out the details in advance, the merger process might not get anywhere, they say. If, on the other hand, faculty members are presented with a decision to merge, they will have oo alternative but to get on with it.

While emphasising that it is up to his board to make the final decision, Juan Rada, IMI's director general, says: "I'm determined to push it through." The merger of IMI and Imede, he says, is an "act of faith."

The two schools, based at opposite shores of Lake Geneva, have talked about merger several times over the last three decades. On some occasions, IMI has been the instigator; at other times it has been Imede. On each occasion, the other school thought that the time was not right.

This time, with the initiative coming from Imede, both schools believe they have the will to make it work.

"I really think the driving force has to be to take advantage now of the inability of American schools to get into the international niche, at a time when the world is increasingly demanding managers who can aee beyood their own domestic enviroonment," says Derek Abell, Imede's dean.

Several of the American schools are excellent, he saya. None of them, however, has the global outlook that the European schools can provide. The American schools are "international to a degree, but they can't get to tha last step of internationalising their student body."

IMI and Imede, oo the other hand, both claim to be international, rather than Swiss. The 67 students in the Masters of Business Administratloo class at Imede this year come from 28 different countries. The 52 students who have just completed IMI's 1987/8 MBA course represent 22 natiooalities.

Apart from their MBA degrees, the two schools also run a wide raoge of shorter courses for senior managers. The problem they have, however, is that they are both too small to make their desired impact on the growing market in management education.

Faculty numbers tend to fluctuate because of changes in the numbers of visiting staff, but each school has around 20 teachers. By contrast, Insead, a rival school in Fontainebleau, France, has more than 60 full-time faculty members.

Both IMI and Imede say that if, for any reason, the merger fails, they will attempt to grow as separate institutions. The two schools admit, however, thet top-class faculty are hard to find.

Their problem is especlally acute because both institutions have pitched themselves at the top end of the executive market. Their MBA stndents typically have six or seven years work experience. Their shorter programmes are aimed at senior executives. The high standard demanded by these studeots, they say, makes it difficult to bring in inexperienced teachers and train them.

"That's bullshit, frankly," says Imede's Abell. "They've got a board programme and we haven't got a board programme. But I certainly am not ashamed of the seniority of the people who go through here."

Strebel, Imede'a research director, argues thet the schools are actually remarkably similar. "Of all the business schools wa are closest to them," he says. "It's because we are so similar that we have had to accentuate the differences. We are two schools which speak the same language and believe the same things."

Several faculty members on both sides of Lake Geneva think

IMEDE IMI

Alden Lank, IMI's director of studies, says that, with the exception of fields like the management of technology, his school has only one or two specialists in each area. "It gets lonely," he says.

Rada, IMI's director general, adds that business schools today need to spend large sums of money on computer technology. A larger school would find it easier to make the investment required.

IMI's staff argue that the markets the two schools appeal to would fit together neatly. IMI runs programmes for chief executive officers, board members and senior executives. Imede tends to deal with the next few layers in the corporate hierarchy, they say.

tbey agree with him, although they are unsure what the other school is like.

Despite their proximity, there has been little contact between tbe two institutions over the years. People who speod some time at one school and theo make the 30 minute train journey to the other are quizzed like travellers from a distant land.

There are differences between the schools, however, which will have to be resolved when, and if, the merger takes place. The first lies in their teaching styles. Since its foundation in 1957, Imede has had close links with the Harvard Business School. It still relies heavily on Harvard's approach of studying management issues through case studies. IMI, on the other hand, claims it adopts a more eclectic approach to learning.

Another difference between the schools, immediately apparent to a visitor, lies in their respective intellectual climates.

Juan Rada: "No comment" on whether he wants to be dean

At IMI, new visions and ideas flow thick and fast. A group of faculty members has begun to look at ways in which people from different cultures learn. Another group is looking at the role of intuitioo in management decision-making.

IMI employs various devices to encourage innovative thinking by managers attending courses. When the discussion turns to how managers can create a shared vision in their organisations, the lecturer on the course might play a video of Martin Luther King's "I have a dream" speech. A neurosurgeon talked to the IMI MBA class about current theories on tha way in which the human brain works.

Outside speakers, such as Shirley Williams, the Social and Liberal Democratic politician, and Paul Johnson, the British journalist and historian, are hrought along to address classes.

IMI's Commission 2000, set up in late 1984, to advise the school on how to meet future challenges reported that while traditiooal managemeot disciplines were important, "much will have to be borrowed from other areas not previously associated with management education, such as aesthetics, architecture and the arts in general."

Imede, by contrast, is more pragmatic and down to earth. It prides itself on its expertise in the nuts and bolts of management. "We have a much more practica-oriantad, hands-on approach," Paul Strebel says.

Faculty at both schools feel that they can gain from the other's approach. The new school, they hope, will have strengths both in current management practice and in innovative thinking about the future.

Although the different teaching styles are seen as a possible obstacle, here, too, both sides think thet they are probably not as far apart as they once imagined. IMI does use case studies to some extent. Imede does not rely on them to the exclusion of all else.

There is little agreement, however, on the two major practical issues: where the school should be and who should head it.

The heads of both achoois believa that the two faculties ahould be brought together on one site as soon as possible. IMI's rolling campus, close to the lake and next to the banks of the Arve River, is certainly the more attractive. Even with its present oumber of studants and staff, howaver, its bnildinga are cramped.

Imede, on the other hand, believes that its campus would be a good site for the new institution. The school is three-quarters of the way through a SFr 31m building and renovation programme, with further scope for expansion on existing and neighbouring sites.

So where will the new school be? "I hope it's here," saya Imede's Abell. "People will have to look at it and figure out what tha logic is. The logic of (Imede) having buildings that could accommodate both schools will be powerful."

Who will be the new school's dean? Both Abell and Rada reject outright the possibility of having two deans, as Insead does in France. Would Rada like to be the dean of the new school? "I'd prefer not to comment," he says. "I doo't think it'a helpful."

Abell displays no such reticence. "Yes, I would," he says, when asked whether he would like to head the new school. "I believe I know what kind of school would emerge. I don't know how to say this without sounding conceited. It will require some special talents. It will require statesmanship and the ability to recognise the strengths of the other side."

Does Juan Rada have those qualities too? "I think it's better thet someone else jndges that," Abell says.

What about the possibility of a third person running the new school? "It's not obvious that there is such a person," Abell says. "If someone else shows up who seems capable of doing it better than me, I'd say go ahead. But I'd like to see him first."

Telecoms and IT

A changing shape

Terry Dodsworth on recent takeover implications

IN THE PAST two years it has been impossible to miss the sharp acceleration in the pace of acquisition and joint venture transactions in the telecommunications and information technology industries. Quantifying such a frenetic activity has been harder, but Systems Dynamics, a UK consultancy group, reckons there were no less than 77 "major" deals in the six months to the end of April.

Systems Dynamics only began tracking the takeover market in this area a year ago, so it has no long-term comparisons to offer. But it saya that this level of activity is about double that of the previous six months – and there has been no sign of a slow-down in the last four weeks. Clearly this is an issue which no company can ignore, particularly in Europe where much of the interest is located.

Christopher Thomas, managing director of Systems Dynamics, gives three main reasons for this sudden surge of action.

First there is the issue of 1992 and the European Commission's plans for a barrier-free Europe. He does not see this programme as one that will necessarily create genoinely open markets immediately. But he believes that it will concentrate companies' minds on underlying commercial issnes; and in the telecommunications sector, where Europe has traditionally been organised as a collection of exclusive fiefdoms, tha internal market project holds ont the opportunity both of geographical expansion and movement into new sectors.

Second, there is a marked trend towards the integration of services and snpply throughont the IT industry. This is closely associated with the rapid changes that are occurring in telecommunications, as advances in technology open up the possibility of as vast range of new services.

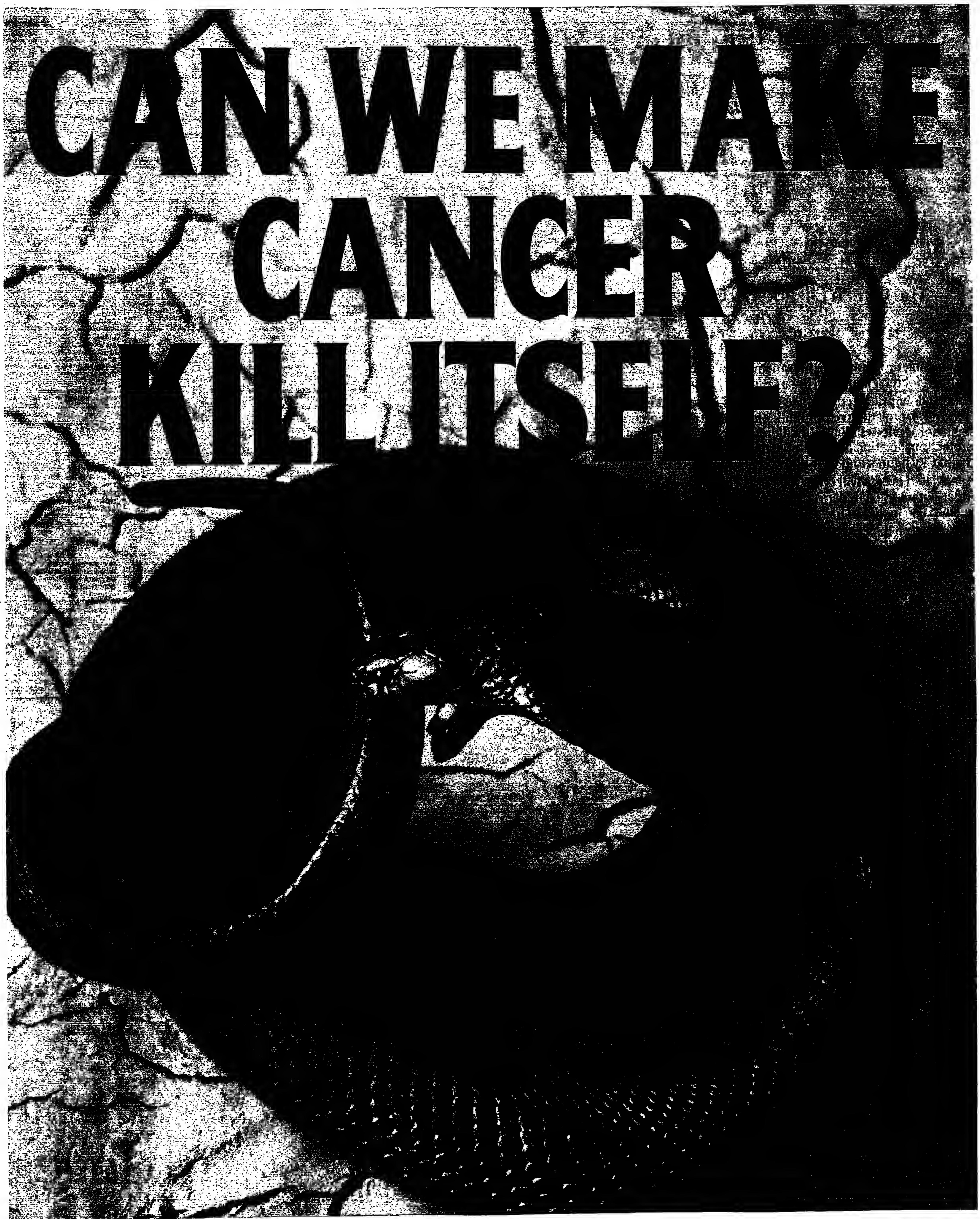
A breakdown of the Systems Dynamics takeover and joint venture study shows that at least 60 per cent of the transactions were concerned with telecommunications. This underscores the way in which data processing companies are increasingly moving into communications systems as a way of strengthening thair links with customers. Several big American computer companies now offer office telephone exchanges, information services of various kinds, and private data networks as well as mainframes and minis.

Third, the equipment manufacturers are going through a ahakeont caused by the increase in international competition and the rising cost of maintaining technological expertise. Systems Dynamics, which is currently undertaking a study of buying policies among the leading equipment users in Europe, argues that snpply channels are set to change radically under these market pressures. Users, it says, will become more selective and critical, and there is likely to be a resulting decline in the number of smaller companies in the equipment supply sector.

While acknowledging the underlying economic momentum behind this extraordinary wave of takeover activity, Thomas is sceptical both about some of the strategies being employed and the long-term effects. "There is a lack of innovation in many of the joint ventures," he says. "Companies are behaving like sheep following a leader, and a lot of the deals are essentially defensive in nature."

It could be argued that defensive alliances are an inevitable consequence of bringing an industry out of a long period of protected markets into an era of brisk competition. Indeed, in the equipment manufacturing sector, where markets have largely matured, rationalisation was occurring nationally before the additional element of international reorganisation was thrown into the ring by actions of liberalising Governments.

On the other hand, Thomas concedes that soma of the moves in the services sector are more aggressive and imaginative. The services part of tha information technology industry is unquestionably expanding, and it has a long way to go before it matures. For companies offering value-added information or special data services, European alliances look essential as a means of distributing products throughout a balkanised region where a local entrée is often extremely hard to find.



What makes cancer deadly is the way its cells multiply completely out of control.

Steadily the tumour grows and seed cells drift through the body to colonise new sites.

But cancer isn't invincible. Our scientists are working on a new technique that starts with live cancer cells taken from the patient's own tumour.

First, cells from the tumour are irradiated so that they are no longer able to multiply.

Then they are re-introduced into the patient's body, to goad his immune system into action.

This also enables us to find and isolate vital antibody-producing cells which can then be put to work for us in the laboratory.

We can use the antibodies to seek out and attack similar cancers in other patients.

This piece of poetic justice is called the human monoclonal antibody technique.

It's just one of several encouraging steps our scientists are currently excited about.

As one of the world's biggest chemical companies, 68,000 strong, at work in fifty countries, active in healthcare, chemicals, fibres and coatings, we spend millions each year on research.

Every year we make new discoveries. But nothing would give us as much satisfaction as turning cancer against itself.

AKZO

FT LAW REPORTS

Digest of cases reported in the Easter Term

FROM MAY 11 TO MAY 27

Interlego AG v Tyco Industries Inc and Others (FT, May 11)

Lego lost its appeal to the Privy Council that its drawings for designs of Lego blocks were protected by copyright under the Copyright Act 1956 as original artistic works. The designs had been registered under the Registered Designs Act 1949 but the registration had expired in 1975 and the defendants, who cross-appealed, were proposing to manufacture a block-building system, similar to Lego, in their Hong Kong factory. Lord Oliver stated that the Copyright Act 1956 conferred protection on an original work for a generous period. In the instant case of three dimensional copyright by reverse engineering, Lego's claim to protection rested on artistic copyright in drawings themselves ont of copyright. Subsequent drawings only demonstrated soma very minor, insignificant deviations from the originals and the prolongation of the copyright period, by reproducing the original work with minor alterations, required to be scrutinised with caution.

Guinness PLC v Ward (FT, May 13)

Mr Ward, a director of Guinness plc at the time of its takeover bid for Distillers, received £5.2m for his services in connection with the bid, the money having been paid into a Jersey company which he controlled. Mr Ward appealed against the Vice Chancellor's order that he repay the money as constructive trustee on the ground, *inter alia*, that two other directors, who had formed a sub-committee of the board for the purposes of the takeover, had known of the payment so that he was not in breach of the Companies Act 1985, section 317, which required disclosure of an interest in a contract by a director "to a meeting of the full board of directors duly convened." In rejecting this submission, the Court of Appeal stated that the provision was mandatory and the knowledge by individuals was a wholly different matter from a positive consideration by the board as a whole.

Bird and Others v Inland Revenue Commissioners; Breams Nominees Ltd and Another v Inland Revenue Commissioners (FT, May 17)

Section 469 of the Income and Corporation Taxes Act 1970 defined tax advantage as the avoidance or reduction of an assessment to tax and, under section 460, such a tax advantage could be counteracted by the making of an assessment. In the instant case, tha Revenne assessed the taxpayers without reducing the appropriate proportion of the corporation tax levied on a company that the taxpayers controlled. In allowing an appeal in part, the House of Lords stated that as the Revenue had taken money from the company in order to satisfy their claim to corporation tax, it would defy common sense to hold that the taxpayers were in possession of a tax advantage to the full extent of the repayment of the necessary loans that they had made to the company in order to enable it to pay the corporation tax.

CBS Songs Ltd and Others v Amstrad Consumer Electronics PLC and Another (FT, May 18)

In upholding a decision to strike out a claim on behalf of the British Phonographic Industry and others against Amstrad Consumer Electronics plc and Dixons from selling double-speed twin-tape recorders, Lord Templeman stated that there was nothing in the Copyright Act 1956 which inhibited the invention, manufacture, sale or advertisement of electronic equipment capable of lawful or unlawful reproduction. Under the Act, the defendants owed a duty not to authorise an infringement of copyright but it did not owe a duty to prevent or discourage or warn against infringement. By selling the recorders, Amstrad might facilitate copying in breach of copyright but did not authorise it. Moreover, sales and advertising to the public of a machine which could ba used for lawful or unlawful purposes, including breach of copyright, could not be regarded as procuring infringement of the Act by any purchaser who decided to make unlawful use of the machine.

Foster and Others v British Gas plc (FT, May 20)

Six women, formerly employed by the British Gas Corporation, had been required to retire at 60 whereas their male colleagues had retired at 65. They claimed for unlawful discrimination. The issue was whether the employees were entitled to rely directly on European law so as to found a claim that the retirement policy was contrary to the directive (76/207/EEC). As a matter of European law, the directive gave rise to legal rights in employees of the state itself and any organ of the state, the Court of Appeal stated in dismissing the employees' appeal against an EAT decision that the retirement policy was not unlawful. However, while the corporation was a public authority, it was not a government department, and thus was not bound by the directive, the Court of Appeal held.

Brady v Brady (FT, May 24)

A division into two separate components of a family company, which had reached deadlock because of the disagreement between two brothers, failed to obtain specific performance in tha Court of Appeal on the grounds that the agreement was void for illegality under s.151(2) of the Companies Act 1985 because the company could not give financial assistance for the acquisition of its own shares. In allowing the appeal on terms, the House of Lords stated that under s.153(2), such assistance could be given where it was in the interests of the company. Although the provisions only applied if the assets of the company made available for the assistance were not reduced thereby or if the assistance was given out of distributable profits, in the absence of some startling change in the financial position, those conditions were fulfilled in the instant case, their Lordships held.

Regina v Secretary of State for Social Services, ax parte Wellcome Foundation Ltd (FT, May 25)

The Secretary of State granted product licences for the parallel importation of the drug, Eusaprim, into the UK from EC states and it was sold here both at a lower price and under the trade mark, Septrin, which was Wellcome's trade mark for the same drug. Wellcome contended that on the true construction of the Medicines Act 1968, there was an obligation on the Secretary of State to have regard to whether the grant of the licence might involve trade mark infringements. Rejecting that contention and upholding the decision of the Court of Appeal, the House of Lords stated that since the grant of the licence did not purport to absolve the licence holder from complying with the civil law, there was no warrant for suggesting that Parliament intended that the licensing authority ahould concern itself with third party rights relative to the product.

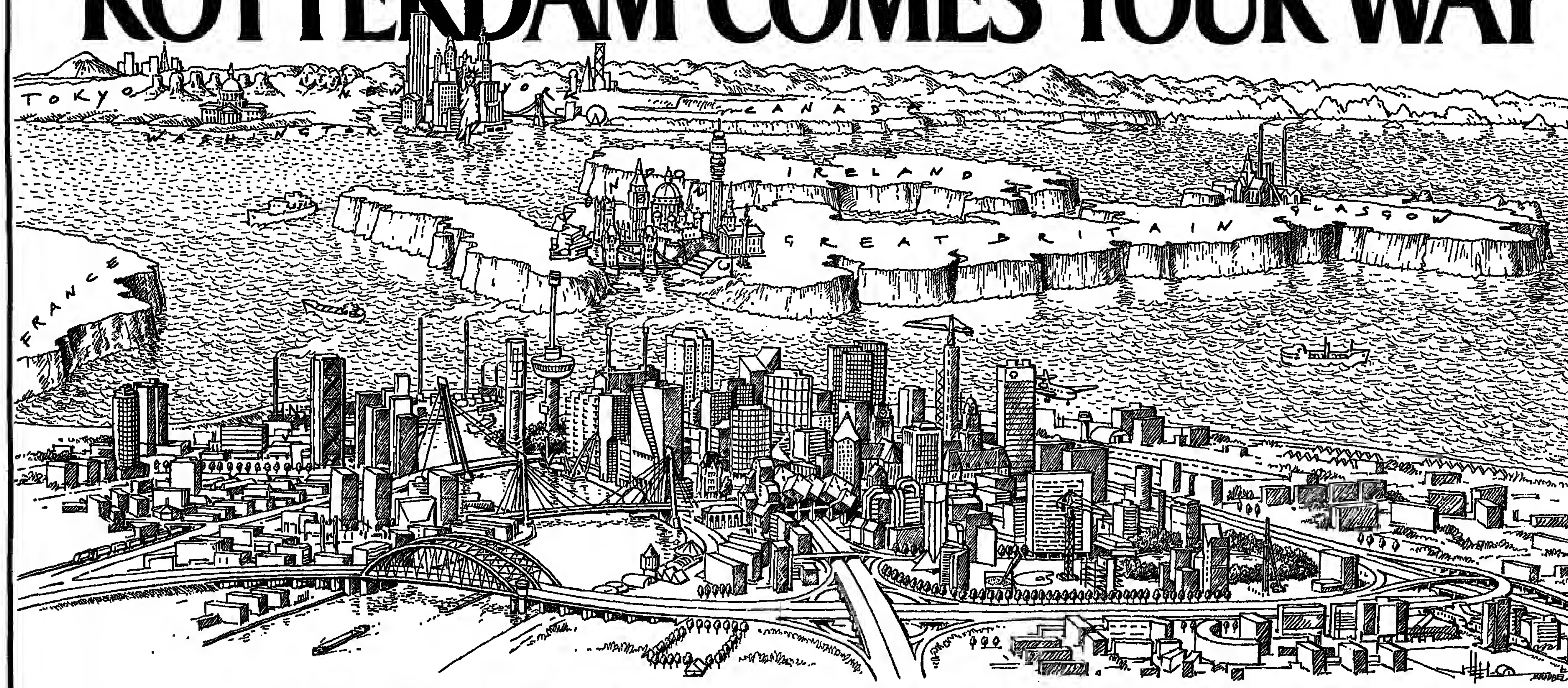
Inland Revenue Commissioners v Macpherson and Another (FT, May 27)

In the instant case, the trustees reduced tha trust property of which Mr Robarts was the beneficiary. The following day, his son took a life interest in possession of that property. Although the trustees sought to show that a diminution in value of trust property was not a transfer of value under section 6(3) of the Finance Act 1975 and therefore not subject to capital transfer tax, the House of Lords stated that nothing in the statute required that the event, which resulted in devaluation of the settled property, had to be looked at in isolation from all other events. An extended meaning had to be given to "transaction" in section 20(4) which qualified both it and associated operations where they formed part of and contributed to a scheme that conferred a gratuitous benefit on a beneficiary.

Aviva Golden

This concludes the digest of Easter Term cases. Previous parts appeared on June 1 and May 31

ROTTERDAM COMES YOUR WAY



It's a good move to invest in Rotterdam. Because Rotterdam is Holland's economic powerhouse. Because Rotterdam is located at the focus of major European waterways, making it the gateway to Europe. And because Rotterdam is the world's biggest seaport. With an ultra-sophisticated infrastructure responsible for taking it to the top of the world league of container ports, too. But there's more. Invest in Rotterdam and you'll be moving to a dynamic city with a proven track record. While also taking advantage of Holland's particularly favourable business climate.

Just look at the advantages. An enviable record for punctuality and harmonious labour relations. An encouraging growth in GNP. The position of the Dutch guilder within the European Monetary System. The general investment climate. (Ask your banker, he'll confirm it).

Just look at some of the fine examples of breathtaking modern architecture that have recently changed Rotterdam's skyline, adding immeasurably to the quality of the environment. (Just ask any architect). Just look at the reasonable land prices. The extremely tempting tax concessions and premiums. The practical aid given to smooth the path of foreign investors. The city's active role in creating impressive public/private partnerships. The fact that most Rotterdammers speak English. (Just ask us).

Interested? Then read on to discover more about Rotterdam's experience in creating large-scale public/private investment partnerships. And what it could mean to you.

THE CITY CENTRE **Rotterdam's Heart.**
Just look at downtown Rotterdam. A vital, vibrant focus to the city which doesn't close when shops and offices shut. With a good mix of commercial activities, housing and leisure provisions too. Like on the North and South Banks of the river. Providing room for the city to grow. In a city whose dynamism has already attracted the headquarters of multinationals like Shell Oil and Unilever and the new World Trade Centre.

Nor does Rotterdam neglect the world of culture and leisure. Three new museums have recently opened their doors for the first time and a new theatre will soon be completed. And no less than 900 million Dutch guilders reflect private sector confidence in investing in Rotterdam's heart.

ZUID **Rotterdam's New Southern Bridgehead.**
The last years of the century will see an intense urban development taking place on the South Bank of Rotterdam's river. And a new bridge will link this location with the city's new airport, just to the north.

The Kop van Zuid scheme is an ambitious waterside development and will be quite unique, with multi-use highrise buildings surrounding a restored harbour basin by the river. The total effect will be to better integrate the river with the city. And with some 1400 million guilders in investment deriving from the private sector, the scheme also forges significant public/private partnerships as well.

BRAINPARK® **A new Impulse.**
Drive into Rotterdam one of these days and on the Eastern fringes of the city you'll see an opulent office park being laid out. Spacious green areas and an imaginative use of water will accentuate the park-like nature of this development, which is primarily intended for brain powered enterprises. Even now, as the first buildings rise from the ground, so much interest has been expressed in the project, that plans are being made for an extension. Currently, private sector investment in this successful project exceeds 1400 million guilders.

ROTTERDAM WATERSTAD **Rotterdam's Watersport Playground.**
The Waterstad (Watercity) scheme has been planned as an area dedicated to leisure activities and tourism located between the city and the river. The ambitious construction programme includes a hotel, an Imax Cinema, the Econocenter (economics and business information and exhibition venue), and Tropicana, which when complete, will be one of Europe's largest subtropical swimming pools. Plus many cafes and restaurants and a wide range of shops, offices and homes.

Pleasant spacious promenades for strollers will provide access along the river and to the Leuvehaven harbour basin. There, a unique collection of many different steam and sailing ships is permanently moored and open to visitors. The great majority of Waterstad's individual projects, amounting to 250 million guilders, have been developed by public/private partnerships.

ROTTERDAM NOORD-WEST **The New Northwest Frontier.**
Adjacent to the northern highway from Rotterdam there's a vast 250 acre Enterprise Park on the northwestern edge of the city. It's planned to become available in stages between now and the beginning of the 21st century. And it enjoys one of Europe's most strategic locations. Next to Rotterdam's airport, close to the world's biggest harbour, with direct access to the European network of high speed highways, it's eminently suitable for all activities relying on effective physical communications. Private sector investment: 350 million guilders.

ROTTERDAM NOORDRAND **Rotterdam's New Growth Point.**
Just 4 kms north of the city centre we're planning Noordrand. This area, with Rotterdam's new airport as its nucleus, is likely to provide a major focus for many economic activities. Which is why Aeropark® (a new enterprise park), office locations and the new route of the main highway are all planned to be close by. Plus a major new urban development comprising some 9000 new homes in an attractive setting. Private sector confidence in the scheme has led to investments totalling no less than 3000 million guilders so far.

If you've read this far, you've probably realised that Rotterdam has a great deal to offer. It's located on major waterways making it Europe's natural gateway. Its position within the Dutch economy makes it a particularly favourable option. And the city's active encouragement of projects like these will make you realise that there's an extremely hospitable welcome waiting for investors.

If you want to know more, get in touch with Grondbedrijf Rotterdam, 31.10.4895900, giving us an outline of your area of interest.

You might be surprised at how quickly we'll come back to you with information that answers your specific questions.

ROTTERDAM, READY FOR NEW BUSINESS

The Development Corporation of the City of Rotterdam
Grondbedrijf Rotterdam
Galvanistraat 15,
P.O. Box 6575,
3002 AN Rotterdam.
Telephone 3110.4895900.
Telefax 3110.4259446.
Telex 23090 grond nl.

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
3	4	5	6	7	8	9

Music

LONDON

Ileano Cotrubas (soprano) with Georg Enescu Chamber Players: Enescu. Wigmore Hall (935 2141).(Mon).

Sok Chamber Orchestra from Prague, directed by Josef Suk, violin: Mozart, Haydn, Janacek and Dvorak. Barbican Hall (Mon). (638 8891).

Idil Biret, piano: Cesar Franck, Ravel, Beethoven/Liszt. Wigmore Hall (Wed).

PARIS

Orchestre National de France, conducted by Rudolf Barshai, Shlomo Mintz, violin: Beethoven. (Mon) TMP-Châtelet (42334444).

Claudio Arrau, piano: Beethoven, Liszt (Mon) Salle Pleyel (456 38873).

Shura Cherkassky, recital (Tue) Salle Pleyel (45638873).

Ensemble Orchestral de Paris, conducted by Jacques Houtmann, Guy Touvron, trumpet: Lekeu, Nikiprowetzky, Haydn, Mendelssohn (Tue) Salle Gaveau (45632030).

Ensemble Vocal Jean-Pierre Lore, Orchestre Francais d'Oratorio conducted by Jean-Pierre Lore: Salieri (Tue) Saint-Roch Church (42619326).

Barbara Hendricks, Andrae Schiff Recital (Wed) Théâtre des Champs Elysées (47203637).

Gulbenkian Foundation's Choir and Orchestra, conducted by Michel Corboz: Messiah (Wed) TMP-Châtelet (42334444).

Royal Philharmonic Orchestra, Vladimir Ashkenazy, conductor and piano: Mozart, Brahms (Thur)TMP-Châtelet (42334444).

FLORENCE

51st Maggio Musicale Florentino, Teatro della Pergola, cellist Gustan Lenohardt: Bach, Rameau, Forqueray and J.H. D'Anglebert (Tue) (2779236).

ROME

Auditorium in via Della Conciliazione, Kenneth Montgomery conducts with Shirley Verrett, Margaret *Marshall and Gino Quilico: Mozart*, Purcell. (Mon and Tues) (6541044).

Oratorio del Gonfalone I Musici playing works of the Neapolitan and Venetian schools. (Via Del Gonfalone 32A). (Thur). (68.75.952).

AMSTERDAM

Concertgebouw. Dietrich Fischer-Dieskau, baritone, accompanied by Hartmut Holl: *Schubert (Mon) The Wind* Ensemble of the Orchestra of the 18th Century: Mozart (Wed) (718 345).

Beurs van Berlange (Stock Exchange, Damrak). The Asko Ensemble conducted by Oliver Knussen, with new works by Simon Bainbridge, Steve Martland and Knussen, and Colin Matthews' Suns Dance (27 11 61).

NEW YORK

Walker, Ho & Carmel. Flute, violin and cello recital: Bach, Telemann and Beethoven (Wed 12.30 Free) Juilliard Concerts at the IBM Garden Plaza. 56th & Madison.

WASHINGTON

National Symphony, Mstislav Rostropovich conducting, with Choral Arts Society of Washington directed by Norman Scribner and Oratorio Society of Washington directed By Robert Shafer: Mahler (Tue). Kennedy Center Concert Hall (254 3776).

CHICAGO

Chicago Symphony, Kurt Masur conducting: Haydn, Shostakovich (Thur) Orchestra Hall (435 8122).

Exhibitions

LONDON

The Royal Academy. *Cezanne: The* Early Years 1859-72. A concentrated and illuminating study of the formative period of one of the greatest artists of the 19th century, who was also one of the seminal figures of the modern movement. Although he came to his greatness in his middle and later years, his early period, far from being inconsiderable as generally supposed, is now revealed in all *its complexity and contradictory* quality, with many great works to set among the youthful experiments and failures. Ends August 21.

The Royal Academy Summer Exhibition, the 220th Summer Exhibition in an unbroken sequence and still the largest Open Exhibition of current painting, sculpture, prints and architecture to the world. At 1261 exhibits chosen from a submission of something above 12,000, the show is a little smaller than usual, but as dense and bizarre as ever with as many good things to be discovered, a gratifyingly large number supplied by the Academicians themselves. Daily until August 7.

Barbican Art Gallery, Art or Nature. A thorough survey of French Photography in the 20th century as part of the "Images de France" Festival. The exhibition is especially strong in the attention it gives to the great individual photographers of the period, such Kertesz, Cartier-Bresson, Brassai and Atget. End July 17.

The Hayward Gallery: Two concurrent exhibitions: Angry Penguins – a fascinating study of the group of young painters active in Melbourne during and just after the Second World War, Sydney Nolan, Arthur Boyd, John Perceval and Albert Tucker are all shown in impressive depth; and paintings from the Phillips Collection in Washington – an enthralling selection from one of the great private collections of modern times. Its scope extends from the 16th century in the present day, from El Greco, through Goya and Ingres to Francis Bacon, for the collection is still not closed. But its great strength is in Impressionism and Post-Impressionism – Renoir and Cezanne, Braque and Picasso, Bonnard and Matisse. Both shows until August 14.

British Museum, Ukiyoe – Images of Unknown Japan. This large exhibi*tion of exquisite quality, through* work by the greatest masters of the wood-block print, exposes the magical "Floating World" of pleasure and the senses that was the city of Edo (modern Tokyo) in the time of the Shoguns – from the 1600s until the 1860s, when Japan was closed in the outside world. Until August 14.

National Portrait Gallery, Paolozzi Portraits. A small but intriguing *show of a body of recent work on* a subject that in general terms has fascinated the Scottish sculptor, Eduardo Paolozzi, throughout his long international career. Of particular interest are the self-portraits, and also the several working studies of the architect, Richard Rogers. Until August 7.

NETHERLANDS

Amsterdam, Tropenmuseum. The arts and crafts of Indonesia, illustrated with more than 500 objects in bronze, bamboo, textiles and precious metals spanning 2000 years of cultural history. Ends August 21.

Amsterdam, Rijksmuseum. Two hundred of the printroom's finest 15th and 16th century ornamental prints, with designs for jewellry, weapons and furniture. Ends June 19.

Amsterdam, Rijksmuseum (rear entrance). Divine Bronzes (some no more than 5cm high) illustrate the stylistic development of Indo-Javanese religious images from the 7th to the 16th centures and their role in transmitting culture from India and South-East Asia to Indonesia. Ends July 31.

Amsterdam. Jewish Historical Museum. To celebrate the 40th anniversary of the founding of the state of Israel, an exhibition devoted in the theme of light in Jewish ritual, with lamps and menorahs specially commissioned from modern Israeli and Dutch artists. Ends June 12.

Amsterdam, Vondelkerk. The life and work of the Canadian pianist Glenn Gould in an exhibition which includes screenings of legendary video recordings, including some never shown before. (Weekends until June 12). (Vondelstraat 120).

PARIS

Amsterdam. Galérie Schmit. French masters of the 19th and 20th century. The discreetly luxurious, three-storey gallery plays host, yet again, to an exhibition spanning a period rich with creativity and diversity. There is a darkly romantic portrait by Delacroix and an almost abstract Nicolas de Stael landscape. There is a rare Pissarro portrait of his son, Lucien, seated against a window and an early Picasso scene in a restaurant. A still *life with a hyacinth and apples by* Gauguin surprises by its tenderness, as does Corot's young Italian woman with a red shawl. 396, Rue Saint-Honoré (42603636) closed Sundays and lunchtime. Ends July 16.

Galérie D'Art Saint Honoré. A vast allegory of war and peace painted in the atelier of Han Brueghel the elder forms a striking centrepiece of an exhibition of Flemish Masterpieces. 267, Rue Saint-Honoré (42601503). Closed Sat, Sun, and lunchtimes. Ends June 15.

Pavillon Des Arts. The magnificence of silversmiths' work in India during the reign of the Moghuls testifies to their love of luxury. Everyday utensils like scissors, knives, betel nut and cosmetics boxes are chiselled and adorned with filigree open-work as richly as ceremonial objects and armour. 101, Rue Rambutean (42338250) closed Mondays and holidays. Ends July 17.

Galerie Odermatt-Cazean. Guillaumin's deep blue of the Mediterranean framed by green pine trees and orange earth entices the passer-by into an eclectic exhibition of some 50 works by the masters of the 19th and 20th century. A monumental 1937 wooden sculpture by Zadkin watches, totem-like, over a representation of a seated woman by Picasso, a pastel of two dancers by Degas, and another by Gauguin, showing two boys fighting. Monet is there with a Giverny landscape, and an unusually structured Bonnard projects a colourful view of Saint-Tropez through a gap between two tall buildings. 85 Bis, Rue Faubourg Saint-Honoré (42669258). Ends July 30.

VIENNA

Austrian Museum of Applied Arts, Kunst und Revolution. A rare opportunity to see, under one roof, an exciting burst of creativity by Russian and Soviet artists between 1910 and 1932. There are hitherto un-seen works by Kazimir Malevich, Wassily Kandinsky and Alexander Rodtschenko as well as a fine collection of pre- and post-1917 revolution posters. The exhibition conveys the sense of energy of the suprematist movement (1913-1915), the Inchuk group of artists based in Moscow (1920-1924) and the constructivists (early 1920s) which were all eventually suppressed by Stalin. Closes June 15.

Kunstlerhaus, Public spirit and protest. Biedermeier and Vormarz in Vienna 1815-1848. After the highly successful dream and reality exhibition which looked at fin-de-siècle Vienna, the Austrians have gone back to the Biedermeier period (1815-48). This is a large and attractive exhibition which evokes the typically Vienna bourgeois mentality. The sense of interior design, especially furniture, during this period is well-conveyed. Ends June 12.

Rathaus, Wien 1938. Vienna's city hall is commemorating the Anschluss, the German annexation of Austria in 1938, with a large and courageous exhibition which shows how Austrians reacted to Hitler's march into Vienna and the eclipse and eventual destruction of the Jewish culture. Ends June 30.

NEW YORK

American Craft Museum. An ambitious show that traces the history of American architecture back to the turn of the century and emphasizes the work of artists like Tiffany, Lawrie and Louise Nevelson who were commissioned to add art to the architecture. Ends Sept 4.

Pierpont Morgan Library. Over 300 items from the life and art of Beatrix Potter show the evolution of the artist and her work. Included are the illustrated letter, discovered only months ago, to Noel Moore that became the basis of Peter Rabbit and the entire sequence of 22 watercolours from The Tailor of Gloucester lent by the Tate Gallery. Ends Aug. 21

WASHINGTON

National Gallery. The human figure in early Greek art is the subject of 67 sculptures and painted pottery starting in the 9th and 8th centuries BC with silhouetted stick figures and ending with the naturalism perfected in the 5th century BC. Ends June 12.

National Gallery. To mark the 350th anniversary of the first Swedish colony in North America, a royal treasury covering four Swedish monarchs in the 16th and 17th centuries *will show Sweden* as a resplendent and aggressive world power through objects and 100 paintings on loan from the Royal Treasury, the national museum and the royal collections. East Wing. Ends Sept 5.

CHICAGO

Art Institute. A centenary retrospective of the work of Georgia O'Keefe evokes the world of flowers and skulls in the luminous light of New Mexico. Ends June 26.

TOKYO

Tokyo National Museum, Ueno. Art Treasures of Ancient Egypt. The formal, hieratic art of Egypt is not to everyone's taste, and works often appeal more for their associations with the cult of death or for their lavish use of gold and other precious materials. This exhibition *gathers important pieces from* collections in East Germany. Closed Mondays. Ends June 12.

ITALY

Venice, Palazzo Grassi. The Phoenicians. The fourth major exhibition at Fiat's imposing arts' centre on the Grand Canal attempts to give a complete picture of this extraordinary people, about whom few know much, who dominated trade in the Mediterranean for over 1000 years before their capital, Carthage, was finally destroyed by the Romans in 146 BC. Organised by Professor Sabatino Moscati and sponsored by the Accademia dei Lincei in Rome, the exhibition has been given a highly theatrical presentation by the architect, Gae Aulenti. Sarcophaghi project at odd angles from a pile of pink sand on the ground floor of the Palazzo: in an upstairs room, model ships stand immobile in a rippling artificial lake, and a huge polystyrene wave engulfs a Phoenician wreck. Not particularly legible graffiti run across the walls – comments on the Phoenicians by contemporaries and later writers. Many of the 1200 objects displayed (gold and silver jewellery, statues and reliefs in terracotta, bronze and ivory) are extraordinarily beautiful, and the 750-page catalogue, published by Bompiani, is excellent. (Until Nov 6).

Venice, Fondazione Cini (Isola di S. Giorgio). Paolo Veronese. An intelligently-presented exhibition to mark the fourth centenary of his death, two-thirds of which is devoted to his preparatory studies for the major works in Venice. The last few rooms contain 22 paintings, including several masterpieces lent by American and European Museums. Until July 10.

Rome, Ex Stabilimento Peroni. Maurice Sendak. Imaginatively presented exhibition originally shown at the children's Book Fair in Paris, of original drawings and vastly enlarged reproduction from some of the American author-illustrator's best-known works. There are scenes from Where The Wild Things are, Outside Over There, giving a disturbing picture of self-reliant children in a world where parents are either absent or just incompetent (Via Reggio Emilia 54). Ends June 12.

WEST GERMANY

Cologne, Romisch-Germanisches Museum. Caesar's Glass. This exhibition is the most important display of Roman glass ever staged. The show is a joint project between the Corning Museum of glass, New York, the British Museum, London, and the Romisch-Germanisches Museum in Cologne. The exhibition is sponsored by Olivetti and runs until August 28.

Cologne, Museum Ludwig. Picasso in the second World War. 120 paintings, drawings and sculptures covering the period from 1938 to 1946, showing the painter's influence on artistic life after the war. Bischofsgartenstrasse 1. Ends June 16.

Theatre

LONDON

Cat on a Hot Tin Roof (Lyttelton). Ian Charleson and Lindsay Duncan lead this white hot National Theatre *revival of Tennessee Williams's play* directed by Howard Davies. Eric Porter, absent from the stage for 12 years, is an electrifying Big Daddy. (928 2252)

The Common Pursuit (Phoenix). Second London chance for flawed Simon Gray comedy about Cambridge graduates in love and publishing. Author directs good, young cast of post-Python comedians including Rik Mayall and Stephen Fry. (836 2294, CC 240 9661)

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing. (379 6107)

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, Gemma Craven falling to wash the baritonal Emile Belcourt out of her hair.

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber. (839 2244, CC379 6131/240 7200).

Follies (Shaftesbury): Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5399).

Back with a Vengeance (Strand). Barry Humphries, indisputably the outstanding vaudevillian of the age, has extended his triumphant London season to July 9. Dame Edna Everage has now earned full immunity to good taste, while the fabulous diplomat, Sir Les Patterson, touches new heights of degradation. (836 2660/4143)

Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics to a splendidly taut and clever entertainment. Felicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne in elegant support. Double meanings and double identities abound. (836 6404, CC 379 6233).

NEW YORK

Fences (46th Street). August Wilson has a long-run, this year's Pulitzer Prize, with the powerful tale of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221 1211).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry, set to trendy music, is visually startling and choreographically feline. (239 6262).

A Chorus Line (Shubert). The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre, with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Les Miserables (Broadway). Led by Colm Wilkinson, repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons *in pageantry and drama, if not strict* adherence to its original source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go around the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

WASHINGTON

The Search for Signs of Intelligent Life in the Universe (Eisenhower). Lily Tomlin repeats her Tony-award-winning solo performance of the crazy people who inhabit her funny and strange imagination. One major segment explores the women's movement over the past decade. Ends June 26. (254 3670)

CHICAGO

Pal Joey (Goodman): Set in Chicago in the 1940s, this Rodgers and Hart classic, directed by Robert Falls, follows the escapades of a classic heel caught between the one who loves him and the rich lady he wants, in haunting melodies. Ends Aug 7. (443 3800)

NETHERLANDS

Amsterdam, Stadsschouwburg. The English-Speaking Theatre of Amsterdam continues its 10th anniversary summer season with two plays: Svarupa's American gothic directed by the author, a macabre comedy about a family's reactions as the son-in-law changes unwillingly into a famous comic-book freak (Fri, Sat), and Emerald City by David Williamson, a humorous look at rivalry and moral decline among Sydney's high-fliers (Wed, Thur). (24 23 11).

TOKYO

Beehive (Tokyo Chokin Hall). Off-Broadway musical, in English – a spoof on the early 1960s. Ends June 5. (237 9995)

Opera-za no Kaijin (Nissei Theatre) – better known as The Phantom of the Opera. Andrew Lloyd Webber's latest smash-hit arrives in Japan in a production by Harold Prince for the Shiki Theatre Company which is a virtual carbon copy of his London and Broadway stagings.

Opera

LONDON

Royal Opera (Covent Garden). Elijah Moshinsky's stark production of Macbeth returns with the original baritone, Renato Bruson, in the title role, Elizabeth Connell as Lady Macbeth, and Edward Downes as conductor. For what may be her farewell appearances in London, Joan Sutherland leads a new production of Donizetti's Anna Bolena by John Pascoe. Richard Bonynge conducts, and the cast also includes Susanne Mentzer, Dimitri Kavrakos, and John Aler. It is hoped that Jon Vickers, who was ill for the opening performances of the Peter Grimes revival, will return to the opera house this week. Other members of a first-rate cast are Josephine Barstow (Ellen Orford) and Victor Braun (Balstrode), and John Barker is an authoritative conductor of the Elijah Moshinsky production. (240 1066).

English National Opera (Coliseum). In place of the cancelled Ken Russell Tannhäuser, Fidelio is revived with members of the original Wagner cast – Kathryn Harries, Graeme Matheson-Bruce, Neil Howlett and conductor Kees Bakels. Also in repertory: Nicholas Hytner's wholly delightful new production of the Magic Flute, with Thomas Randle, Susan Bullock, Nicholas Folwell and John Connell, and the sparkling 1985 Hytner production of Handel's Xerxes, revived with the superb original cast, led by Ann Murray and Valerie Masterson.

Rambert Dance Company, Sadler's Wells. The season opens on Tuesday with a gala performance, followed by a quadruple bill on Wednesday. (278 8916).

PARIS

Thaïs (Opéra Comique). Nicholas Joel's produces, Lawrence Foster conducts Massenet combining religious feelings with sensuality. (47.42.57.50).

Palais des Sports, Patrick Dupond and the Ballet from Nancy dance Béjart.

Théâtre de la Ville, Jorma Uotinen and her dancers bring their performance of modern ballet from Finland to Paris for the first time.

NEW YORK

American Ballet Theatre (Lincoln Center Opera House). Spring highlights include the world premiere of Mark Morris's Drink to Me Only With Thine Eyes, set to Virgil Thompson's score and Santo Loquasto's set, along with the new productions of Gaité Parisienne, choreographed by Leonide Massine, and Raymonda, choreographed by Mikhail Baryshnikov after Pepita. (362 6000). Ends June 11.

New York City Ballet (New York State Theatre). In order to celebrate its 40th anniversary, the company has commissioned 20 works, including five with new scores, that punctuate the Balanchine, Robbins, Martins repertory with pieces by Lar Lubovitch and Paul Taylor, among others. Ends June 26.

WASHINGTON

Royal Danish Ballet (Kennedy Center Opera House). In its week-long visit, the company performs August Bournonville's classic Abdallah and Napoli. (254 3770).

WEST GERMANY

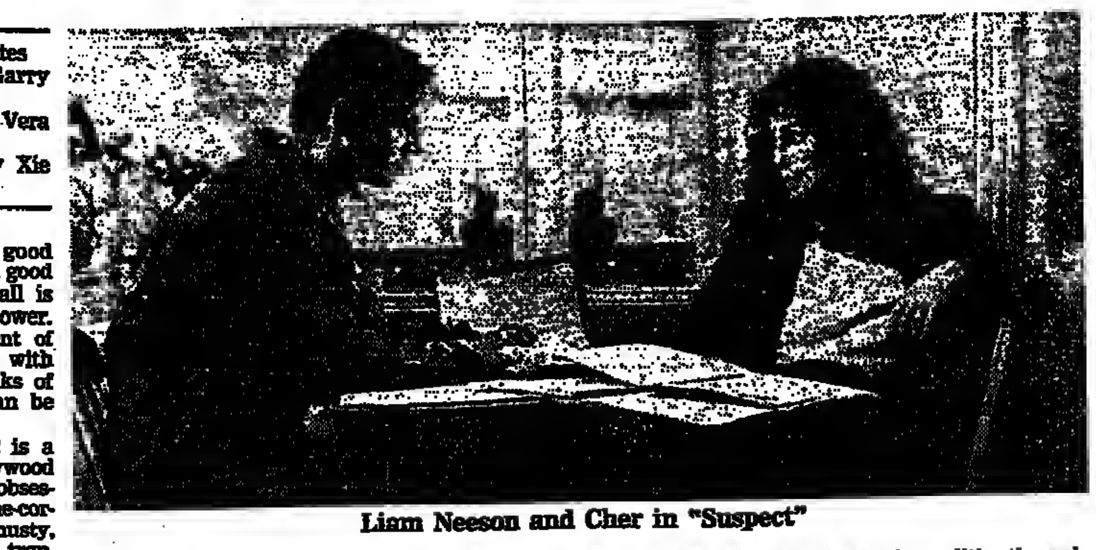
Berlin, Deutsche Oper. Fidelio is a Jean Pierre-Ponelle production. Tosca has fine interpretations by Pilar Lorengar and Ingvar Wixell. Götterdämmerung brings Janis Martin, Ute Walther and Spas Wenkoff together. Don Giovanni features Pilar Lorengar, Carol Malone and Jose Van Dam. Die lustigen Weiber von Windsor and Coppelia rounds off the week. (34381).

Continued on Page 19

Cinema/Nigel Andrews

Higher Hollywood twaddle uncovered

Suspect directed by Peter Yates
Overboard directed by Garry Marshall
Rouge Baiser directed by Vera Belmont
Hibiscus Town directed by Xie Jin



Liam Neeson and Cher in "Suspect"

There are bad days and good days in Washington D.C. On good days the sun shines and all is well in America's seat of power. On bad days, a Department of Justice clerk can be found with her throat cut on the banks of the Potomac and Cher can be called to investigate.

As thrillers go, *Suspect* is a sample of the higher Hollywood twaddle. Oddly dated in its obsessions – the corruption-in-the-corridors-of-power plot has a musty, Watergate flavour – it is transcendently dated in its treatment. Here is a plot largely patched together from coincidence and contrivance. And here is a prime pin-up of our times, Cher, pinning on her black suits as a trial lawyer to lead the crusade for justice. For the victim's death has put the wrong man in the dock, one Karl Anderson, a homeless, deaf-mute Vietnam vet (Liam Neeson), and we are about to uncover a trail of blackmail and wickedness that leads all the way to the White House.

Here too is Cher's handsome male co-star, Dennis Quaid, as a cynical, ladykilling lobbyist, helping her out between sessions sitting on her jury. Of course, since Hollywood can only take feminism so far (about a hundred yards beyond Joan of Arc), it is Quaid who copes with all the legwork, all the fisticuffs, and even most of the thinking. The rest of the time he is forced to sit in court, like us, and listen to lines from Cher like "Karl Anderson is the American nightmare."

Britain's Peter Yates, of *Bullitt* and *Breaking Away*, shows he is a lot less happy dealing with the wheels of justice than with those involved in car chases and cycle races. Scripted by Eric Roth, the ill-oiled movie squeaks and rattles through its twists and turns, consummately implausible when it is not consummately predictable. While Quaid sleuths and jurors scratch their heads and guilty justices blow their brains out with shotguns, Cher is left standing in the middle looking understandably moonstruck. Her hooded eyes, Medusa hair and wooden-Indian features look even more gnomic than usual. And she is as surprised and grateful as we when the script occasionally – just occasionally – gives her a good line. "I spend all my time with murderers and rapists," she raps at one point, "What's really crazy is I like them." There speaks a woman born to be a film critic.

*

While *Suspect*, with its professional woman as heroine, makes at least a pass at living in the age of Feminism, *Overboard* shows what Hollywood really thinks of the fair sex when that sex gets bumptious. This soi-disant comedy has Goldie Hawn as a yackety New England socialite who falls off a yacht, loses her memory and becomes amorously involved with carpenter Kurt Russell. Mr Russell, who lives in a Disneyland country cottage, has three kids from a previous marriage and a grudge against Miss Hawn from a previous meeting. (She failed to pay $600 for repairs on her yacht.) Soon Miss H is becoming the Good Little Housewife, slaving away under a rain of insults from Mr R and answering with nought but dewy eyes.

The whole thing turns into *The Taming Of The Shrew* with sentimental knobs on. Leslie Dixon's script and Garry Marshall's direction are alike short on wit and long on winsomeness. A talented supporting cast (Edward Herrmann, Sylvia Sidney) come and go in varying degrees of embarrassment. And Miss Hawn's comic charisma continues its free-fall decline sustained since she was the world's best-loved giggler on TV's *Laugh-In*. All in all, this may be the first movie about amnesia in which the audience ends up wishing it could catch the condition.

*

No problems with memory-loss – quite the reverse – for French writer-director Vera Belmont. *Rouge Baiser* is the thinly fictionalised story of her 1950s girlhood, growing up in a Paris rife with trendy post-war Communism. 15-year-old Nadia (Charlotte Valandrey) joins the C.P., argues about life and left-wing politics through the mandatory fog of Gauloises, and then meets and falls in love with non-political magazine photographer Lambert Wilson.

Will he save her from the worst excesses of Socialist zeal? And if not will she be saved by the Russian Jewish lover (Laurent Terzieff) of her Polish Jewish mother (Marthe Keller), who (the lover) is passing through Paris even as we speak with frightful tales of life in the USSR under Uncle Joe?

Confused? You will be. This is one of those trips down memory lane in which you fear that memory lane is going to prove as long as the M1. Since all the characters do exactly as authorial recall dictates, none has much semblance of spontaneous life. And Miss Belmont's camera seldom finds anything more inventive to do than squarely to frame, as if for TV, the long parade of talking heads.

The only consolation is the odd moment of endearing daftness. Dialogue can run to exchanges like that following our heroine's impromptu striptease on the C.P. conference table. "She could become a nun" suggests someone: "Be quiet, Trotskyite" snaps the meeting's leader. Also, no film can be all bad which shows the heroine looking with gooey-eyed role-model-worship at Rita Hayworth in *Gilda* at the local cinema, as that unforgettable star peels off her gloves, ruffles her hair and recommends her audience to put the blame on Mame.

*

The unsung melody behind *Hibiscus Town*, as behind most Chinese films today, is "Put the blame on Mao." This epic melodrama from Xie Jin, whose *Two Stage Sisters* won the BFI Best Film award in 1980, has a beguiling sweep and humanity. Somewhere out in South Hunan province, a villageful of peasants fall in love, till the soil, quarrel over politics and try to make sense of the various great leaps forward in Communist Chinese history. The story spans twenty-odd years from 1963.

You can always identify a great leap forward in Chinese Communism by the fact that it goes backwards. (See the "Hundred Flowers" and the Cultural Revolution). The movie's vividly sketched characters – the tetchy lady commune leader Li, the pretty, upwardly mobile bean-curd-seller Hu, the oafish power-fancier Wang who ousts Li as Party secretary – swim with or thrash against the tide of history as it washes over their lives. Xie Jin's love of melodrama and fluctuating plotlines (almost every character yoyos between happiness and despair or disgrace) means that some of the film has the sudsy dottiness of a Chinese soap opera. Based on a prize-winning novel, it has clearly tried to cram in all available characters and incidents and never mind the possibility of viewer-overload.

But there is a wonderful grace and fervour in the wide-screen compositions, and a sumptuous humanism in the tawny, glowing colours. (They look like Hollywood Technicolor circa 1955, and are none the worse for that.) By the end of the film's 2¼ hours, we have a real sense of sane and vulnerable individual lives battling bravely against insane and implacable collective systems.

The Winter's Tale/Regent's Park

Martin Hoyle

Evidently bears bring good luck. From the sudden startling eruption from a bush of the furry monster that dragged poor Antigonus into the greenery in a twinkling, the Open Air Theatre's first *Winter's Tale* took flight. Though tempted, providence withheld the rains from the opening night of the Regent's Park season until a slight sprinkling fell like a benison on Hermione's stirring statue and, with perfect timing, stopped for the final speeches.

David Gilmore's production is happier in Bohemia than Sicilia. The mid-Victorian setting gives us rustics in leggings, smocks and bowler hats whose merry-making is the most enjoyable, genuine and un-Mummerset mummery I have seen in this play. (Ken Oldfield's choreography to John du Prez' music is bucolic without arty folksiness and works beautifully.) The young lovers are the least naff, winsome or precious ever: Paul Rattigan a vigorous and direct Florizel, Jane Arden's vital and radiant Perdita a high-spirited *jolie laide* in bustle and laced boots.

The comedy is in hands every bit as assured as those in Peter Hall's production at the National. The shepherds are blessedly unexaggerated, which does not prevent Adam Price's excited young yokel from giving a very funny description of the shipwreck and bear's dinner, or from metamorphosing into a knut complete with straw boater and blazer. Cliff Howells' Autolycus is better than the National's. This swarthy check-trousered horse-coper with his pretty painted handcart-cum-barrel organ avoids the trap of unsympathetic wide-boy bumptiousness that dogs the character, and has more natural humour than his strenuous counterpart at the Cottesloe. Even Damien Thomas' Polyxenes improves when on his home territory, sharply defined with age after a rather wishy-washy youthfulness.

For, if Bohemia epitomises the production's virtues, from the sturdy tar out of *HMS Pinafore* down to the well-judged Mopsa and Dorcas, Sicilia is as yet stiff and wooden. The opening scenes competed with a ravishing dusk chorus, and Clive Arrindell's Leontes seemed vocally ill at ease. Rightly sullen and suspicious from the start (how else to make sense of this character?), he flared into life with ranting rage but elsewhere held back, no more than mildly disconcerted at the death of his son and Apollo's wrath. Carolyn Pickles is a robust, no-nonsense Hermione; even allowing for unfair competition in her trial from a low-flying plane, it must be said she has yet to find the poetic dimension that sets the Queen apart from her uncomprehending husband quite as much as his jealousy. It is a slight miscalculation, too, for her "statue" to lose dignity by standing in a niche in the apricot-coloured Cotswold stone back-wall of Fran Thompson's set without even a pedestal.

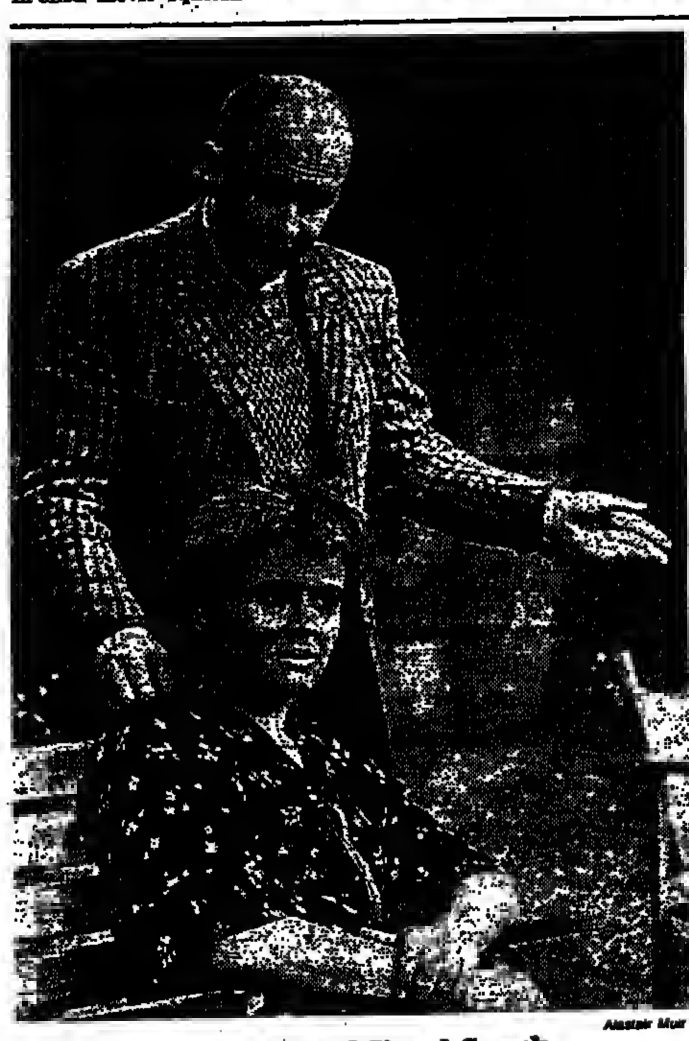
Otherwise the production is handsome, bristling with mutton-chop whiskers and modest Dundrearies. Lawrence Good's well-spoken Time is a funeral undertaker's mute in topper and black sash who leads the ghostly Mamillius (Oliver Rowe) by the hand. Jonathan Newth is the excellent Camillo, but his intended prove the one real disappointment. Sheila Allen is actress and over-enunciating as the usually sure-fire Paulina, here lacking both warmth and lightness, and certainly not effacing memories of Eileen Atkins acting them all off the South Bank.

Alastair Muir

Jane Arden and Paul Rattigan

Aristocrats/Hampstead

Michael Coveney



Alastair Muir

Niall Buggy and Sinead Cusack

Of all contemporary playwrights, none is more gifted and profound a landscape artist than Brian Friel. In *Aristocrats*, a beautiful 1979 Chekhovian idyll bare receiving a long overdue English première, Friel charts the last days of a crumbling Roman Catholic fastness overlooking the small village of Ballybeg in County Donegal.

Friel's dramatic map-reading of the terrain around Ballybeg has been his major preoccupation, from his first success, *Philadelphia, Here I Come*, right through to *Translations*, the play that followed this one and launched the Derry-based Field Day company still administered by Friel and Stephen Rea. All of this work, beautifully written, densely detailed and highly poetic, is imbued with a sense of living history, of Ireland in a perpetual motion of change and upheaval under the imprint of successive generations.

The process of documentation is itself a major theme, tricks of memory threatening to blur the edges around truth. The aristocrats of this title are the grown-up children of a district judge who have assembled for a wedding but remain for a funeral. They talk of the past at the behest of a visiting American professor engaged on research into the Irish Catholic top brass.

The romance of Ballybeg Hall has entirely swamped Casimir (Niall Buggy) who needs little prompting to unleash a stream of over-embellished anecdotes about John McCormack, Cardinal Newman, George Moore, O'Casey, Chesterton and every other Anglo-Irish hero alleged to have passed through these portals. Mr Buggy's ecstatically self-deceptive performance has a wonderful comic reality, but an ironic significance, too. In full flood about having seen Yeats on the sofa, the professor (William Roberts) reminds him that the poet died in 1939 just after Casimir was born.

Casimir has four sisters, three of them in various states of Chekhovian thrall to Ballybeg, the fourth a long departed nun whose recorded Christmas message precipitates tha judge's (David Blake Kelly) feverish and fatal entrance at the end of the second act.

Judith (Charlotte Cornwell) is the trapped drudge who knows just how bad is the rising damp. Alice (Sinead Cusack) has escaped to London, drinks heavily and is married to another of the play's key political and intrusive monitors, Eamon (Peter Caffrey), a boy from the village involved in the civil rights movement since the late 1960s. Young Claire (Tara McGowran) has occupied the piano stool for the duration, churning out the Chopin repertoire to delighted squeals of reminiscence and recognition from Casimir.

The story of the country is refracted through that of the house, and Robin Lefèvre's achingly enjoyable production has supplied cast and setting to match. A real lawn seems to be growing on the stage, set about with a light roller, broken masonry and the upstage vantage points of the cluttered study and a gazebo, all the work of two richly gifted young scenic artists, Gordon Stewart and Andrew Wood.

The Irish experience of burdensome heritage receives two memorably contrasted expressions from Miss Cornwell, drained and defeated, and Miss Cusack, light just about flickering in the haze. There is more Chekhovian moodiness in the figures of a cheerful estate worker (Billy Roche) and a silent uncle (Peter Stockbridge) who gave up speaking at the same time as he forswore alcohol.

But chief among many pleasures is the performance of Mr Buggy. He presents Casimir with a veritable Slav flourish of pathos, evasion, infantile high spirits and comic terror. It is a brilliant and hilarious display, one minute basking indulgently in what remains of the present, the next scrabbling on all fours across the lawn in search of long obscured croquet frame holes. On finding them, Mr Buggy initiates an entirely imaginary but keenly fought game, oblivious to any sense of his own absurdity.

Nell/Donmar Warehouse

Andrew Clements

Alison Bauld's new opera, commissioned by Midsummer Opera and staged by the company as part of the London International Opera Festival, marks the bicentenary of the founding of Australia. It could not be described in any way, however, as a celebratory piece, for Bauld has chosen for her subject matter to explore a harsh and bleak aspect of the formative history of her native land.

Nell portrays the life of a family of poor settlers, who struggle to squeeze a subsistence from an unforgiving corner of the continent, and whose lives have consequently been ground down to the most mindless common currency. Elsie-May spends her time knitting; Tom shoots at anything that moves. Their daughter Nell is eithar simple-mindad and deluded, or driven to despairing madness by the sheer poverty and sexual frustration of her existence. Sha longs to escape. A wandering gold prospector offers that chance; they marry and have a child, but any opportunity for breaking free is pure illusion – marriage proves to be a trap just as unyielding as poverty. When the husband tries to leave he is shot by Tom, and Nell is left with nothing but the prospect of a lingering death.

The libretto is Bauld's own, and ber treatment of it is unflinchingly ambitious. While much of the tragic action is conveyed in *Knot Garden*-like vocal setting (and also with, I fear, some phrases of Tippettian verbal awkwardness too), there is a series of set-piece numbers in popular ballad style which conjures not so much an operatic parallel as echoes of Dennis Potter's *Pennies from Heaven* or *Singing Detective*. It is potentially an intriguing, fertile mix, but one which in performance here fails to fulfill its promise.

The two acts play for barely an hour; characters are outlined rather than explored – there is a chorus of four who "ghost" the protagonists but whose dramatic function seems in this production at least marginal – and in such a confined musical space the tension between the two kinds of music simply cannot generate enough dramatic power. With stronger musical ideas such concision might have produced a tight, gripping piece of theatre, but the most telling moments prove to be those in which Bauld evokes folk traditions in an anecdotal way.

The production by Alan Privett attempts to keep the action taut, but an even sparer approach might have been more effective. David Skewes sang the role of Tom, Lorelle Skewes that of Elsie-May; her surreal lurch into a cabaret song is the opera's most striking *coup*. Gwion Thomas is the Man, while Jenny Miller takes the title role, and with it the opera's most rewarding vocal lines. *Nell* is preceded here by a performance, also conducted by David Roblou, of Bauld's 1976 choral piece *Van Dieman's Land*, part narrative *scena*, part atmospheric *a cappella* piece, which describes the voyage to Tasmania of an early group of settlers. It is concise and successful, with a telling grasp of dramatic colour which appears to have eluded the composer on the larger operatic canvas.

The Mask of Time/Festival Hall

Paul Driver

Sir Michael Tippett's "masque" for voices and instruments has now received a gratifying number of performances, and one begins to perceive it not only as an audacious, brilliant, intriguing new piece, but as the sort of large-scale, singable work consecrated by English choral tradition. For all its challenge and novelty, *The Mask of Time* does appear to be the latest addition to the oratorio repertory.

It was magnificently launched in Boston in 1984, Sir Colin Davis conducting; then it triumphed at the Proms under Andrew Davis's baton – his subsequent Festival Hall account was made into a marvellous recording by EMI. On Wednesday tha young musicians of the National Centre for Orchestral Studies showed off their skills with the work, and the combined forces of Goldsmiths Choral Union, BBC Symphony Chorus and Pegasus produced a result that said much for the idiomatic flair of Tippett'a writing. The inspiriting conductor was Brian Wright.

The onomatopoeic delights of Tippett's word-setting were carefully communicated, atmosphere was often vividly created, and the performance had a grip on the work's zaniness as well as its seriousness: in "late" Tippett – and this event was one of the South Bank's "End Games" – the two are hardly separable. The collage-like structure of text and music came across as scintillating, the cosmic narrative was naively enthralling, and altogether the work had an inevitable thrust, as though its sounds and images had long been waiting for Tippett to write them down.

There were certainly some problems of ensemble, some of diction, and some even of instrumentation: the chamber organ was intrusively acidulous, the wrong Chinese gongs were used. But one doesn't want to carp. Among the soloists David Wilson-Johnson's baritone was powerfully convincing, Kim Begley's tenor incisive but sligbtly passionless, and Mary King's mezzo sometimes positively cool. Faye Robinson was the same fiercely committed soprano soloist, radiant yet hard of timbre, that she has been in all the work's performances to date.

Arts Guide

June 3-9

Continued from Page 18

Hamburg. Staatsoper. Carmen, sung in French, convinces thanks to Russ Baldani, brilliant in the title role. Don Carlos stars Dunja Vejzovic, Kurt Moll, Leo Nucci and Kurt Rydl. Der fliegende Holländer has a strong cast led by Carmen Reppel, Ursula Boese, Bernd Weikl and Manfred Schenk. Don Pasquale is a a well produced repertoire performance with Hellen Kwon, Paolo Montarsolo, Urban Malmberg and Kurt Streit. (351151).

Cologne. Opera. Don Pasquale has Reinhard Dorn in the title role. Britten's Ein Sommernachtstraum is respectable with Paul Esswood, Teresa Ringholz and Harald Stamm. (20761).

Bonn. Opera. Kurt Rydl repeats his much-praised performance in the title role in Don Pasquale. Tosca is well done in Gian Carlo del Monaco's production with Natalia Troitskaya, Guiliano Cianella and Juan Pons as leads. Norma is revived with Mara Zampieri, who is outstanding in the title role beside Delores Zeigler, Lando Bartolini and John Macurdy.

Munich. Bayerische Staatsoper. Feuersnot stars Sabine Hass, Helena Jungirth, Hans Hopf and Walter Raffeiner. Le Nozze di Figaro has e cast led by Birgit Calm, Angela-Maria Blasi, Wolfgang Brendel and Alberto Rinaldi. Die Sache Makropulos has Hildegard Behrens outstanding in the title role. Also in repertory: Un Ballo in Maschera and Onegin, choreographed by John Cranko. (21851).

ITALY

Rome. Teatro Dell'Opera. Pier Luigi Pizzi's production of Rossini's Mosè. Conducted by Paolo Olmi, this is the version seen at the Persaro Rossini Festival in 1983, and includes some of the same cast: Cecilia Gasdia, Rochwell Blake and Simon E Alaimo, with Ruggero Raimondi and Jenny Drivala. (46.17.55).

Turin. Teatro Regio. Co-production with La Scala, Milan, of Flavio Testi's Riccardo 111 (first performed in Milan in January, 1987). Produced by Virginio Puecher, designed by Pasquale Grossi and conducted by Roberto Abbado, with Tenor William Lewis in the title role. (548.000).

Bologna. Teatro Comunale. La Grande-Duchesse de Gerlostein by Offenbach, produced by Giulio Chazalettes and designed by Ulisse Santicchi. The cast includes Elena Zilio, Jean Brun, Jean Luc Maurette and Pierrette Delange, conducted by Alain Guingal. (529999).

Florence. 51st Maggio Musicale Fiorentino, Teatro Della Pergola. Three works by Ivan Marko to music by Ravel, designed by the Maggio Musical Ballet Company. (2779236).

NETHERLANDS

Amsterdam. Muziektheater. The Netherlands Opera with the Dutch première of Nixon in China by John Adams, with libretto by Alice Goodman. Directed by Peter Sellars and designed by Adrianne Lobel. Edo de Waart conducting the Holland Festival Orchestra, with James Maddalena as Richard Nixon, Carolann Page as Pat, Sanford Sylvan as Chou En-lai and John Duykers as Mao Tse-tung. (Tue, Thur). (255 455).

Amsterdam. Tropeninstituut. Music and dance from Papua New Guinea. (Tue Wed). (Mauritskade 63, tel.568 8500).

The Hague. Danstheater. The Nederlands Dans Theater with the world première of Jiri Kylian's Kaguyahime, a Japanese fairy tale set to music by Maki Ishii and performed by the Dutch Circle Ensemble and members of Japan's Kodo Ensemble. (Mon to Thur). (60 49 30).

Saleroom/Antony Thorncroft

An £8,000 picture book

The first picture book to be produced for the use of children, published in Frankfurt in 1580, sold for £8,800 at Sotheby's yesterday. This is an incomplete edition, and appeared two years after the first issue, but it sold for twice its forecast because collectors were avid for such rarities as the first printed depictions of a child with a doll and using a hornbook. Sotheby's sold the same copy for just £2.15s in 1923.

A complete set of the Rupert annuals, fifty two volumes from 1936 to 1987, were on their top estimate at £1,760 while a first edition of Kipling's *Just so stories*, with its original dust jacket, did well at £1,540.

The first session of a four part auction of illustrated books had its problems, totalling £164,120, but with 30 per cent unsold. Seibu, the Japanese department store, was surprisingly keen on acquiring illustrated Russian books paying £3,960 for a first edition of a 1913 volume entitled *Let's grumble*, with two lithographs by Malevich and £3,300 for a first edition of *For the voice*, with illustrations by El Lissitsky.

The National Library of Wales paid £990 for *The misfortunes of Elphin* by Thomas Love Peacock, from a limited edition of 1928 with illustrations by Horace Bray. A disappointment was the largest collection of bookplates to come on to the market. Dating between 1880 and 1930, many with art nouveau designs, the top price paid was £990, well below the £2,000 high estimate, which secured 754 European book plates.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Friday June 3 1988

Foreigners are welcome

LORD YOUNG'S correct decision not to refer the Nestlé and Suchard bids for Rowntree to the Monopolies Commission has not stilled the controversy over foreign takeovers of leading British companies. While unions in Rowntree itself are taking a pragmatic view of the matter, fears are being expressed by some businessmen that the Government's present policy will lead to the transfer of control to foreigners of large parts of British industry and that this will impoverish the nation.

This line of argument seems to ignore the benefits that have flowed from the liberal approach, followed by all post-war British governments, towards inward investment by foreign companies. Whether the investment has taken the form of new plants or acquisitions, the net effect on the UK economy has been overwhelmingly favourable. The presence within the UK of companies like Ford and IBM has helped to upgrade the technical and managerial skills of the country; indeed Ford has played almost a business school role, supplying "graduates" who have filled many of the most senior posts in British industry. Some of the sectors in which Britain has a strong world position, such as farm tractors and diesel engines, rely heavily on foreign capital and ownership.

Disappointing

Of course there is no guarantee that a foreign bidder will make a success of its acquisitions. Chrysler's purchase of Rootes, one of the last independent British car makers, was disappointing. Litton Industries' takeover of Imperial Typewriter, once the strongest British office machinery company, was disastrous. But it is not obvious even in these cases that British bidders would have fared any better. If the Government were to pursue "British solutions" in sensitive takeover situations, as the French used to do, or to set up foreign investment review agencies on the Australian and Canadian model, the result would be to deter desirable inward investment.

British governments have intervened from time to time to block foreign takeovers of enterprises deemed to be of national importance, but such intervention has probably done more harm than good. It is questionable, for example, whether the authorities were right to oppose the purchase by American Telephone and Telegraph of Inmos, the semiconductor company which Thorn, the present owner, is now trying to sell.

With UK quoted companies deriving some 45 per cent of their profits from overseas operations and with British companies like Beazer and Tate & Lyle making large takeovers in the US, the UK should be doing its best to resist economic nationalism. Moves to frustrate foreign takeovers by such measures as reference to the Monopolies Commission would negate one of the main advantages of an integrated European market, namely the free flow of investment capital. In the long term, as share ownership and management become more international, the concept of a British or French or German company may begin to look increasingly irrelevant.

Satellite

There are fears that the UK could become a satellite economy, with key industrial decisions being taken in New York or Tokyo or Zurich. It is not clear why decisions taken there should be worse for the British economy or for employees than decisions taken in London or Birmingham. In any case the anxiety is surely misplaced. Any medium-sized industrial country like the UK is likely to have a mixture of foreign-owned and nationally owned companies in most branches of its industry. It is desirable that some of the nationally owned companies should be world leaders in their field and the UK is not badly placed in this respect. In the food and drink sector, for example, and in chemicals and pharmaceuticals, there are several British companies which are at or near the top of the world league.

The number and importance of these world leaders depend on the economic climate which the UK offers and on the ability of British entrepreneurs to seize the opportunities that are available. Wrapping a protective blanket around national champions is not the answer.

Reform blueprint for Hong Kong

THE OCTOBER crash threatened the very heart of the financial system in Hong Kong. More than was the case in any other important centre, the closure of the stock market and the collapse of the futures exchange reflected grave shortcomings in the structure and supervision of the markets, and raised the real threat of a broad systemic failure.

As such, the experience was damaging not only to the securities industry, but also to those financial sectors where Hong Kong plays a much more important part in the international community – like foreign exchange, or gold, which in terms of trading volume now ranks with London and Zurich.

So the Hong Kong Government had no choice but to respond urgently to the crash and, in choosing Mr Ian Hay Davison to lead the inquiry, it must have known that the official report would not mince its words. Nor does it. What is intriguing about the document which was published yesterday is the parallels which it reveals between events in Hong Kong and those in another market where Mr Hay Davison has considerable experience, the Corporation of Lloyd's.

Thus the report finds that the exchange was run by an inside group which regarded it more as a private club operating for its own benefit than as a public utility. Its staff was inadequate. The market was not subject to the scrutiny of a strong outside agency. And although the governing committee had been successful in expanding the business of the exchange, it had not introduced adequate operating arrangements, and had altogether failed to take into account the risks inherent in a wildly overheated system.

Familiar

If the problems are familiar, so are the solutions put forward in the committee's blueprint for reform. It calls for a two-tier system of supervision, with practitioners running the exchanges under the watchful eye of an independent statutory body; for the inclusion of outside members on the boards of exchanges and clearing houses; and for the appointment of independent and qualified staff. There is also a detailed list of more technical recommendations, dealing with such matters as settlement, listing arrangements, and the licensing of intermediaries.

Some of these proposals may be strongly resisted by vested interests in the local business community. And a much tougher system of regulation may seem out of character in a place which is often cited as the best example of the advantages that can be secured from unfettered free enterprise. But this would be to misunderstand both the structure of the Hong Kong economy in general and the nature of the financial market's problem in particular.

The fact is that political and economic factors have for some time been driving the Government into an increasing degree of involvement with the marketplace, in such areas as housing, pollution control, or banking regulation. Properly managed and directed, there is no reason why such involvement should stifle entrepreneurial vigour.

Incompatible

In the securities markets, a system which is run for and by insiders is not compatible with the goal of establishing Hong Kong as a regional financial centre, a place where companies from South-east Asia want to have their shares listed, and where international investors are happy to do business. More generally, there are already over 270 foreign-owned or incorporated banks and deposit-taking companies in Hong Kong. If this sector is to flourish and increase, then the shortcomings which were so glaringly exposed last autumn must be tackled quickly.

Of course, a regulatory structure which works in one place may not work in another, and a number of special features will have to be taken into account in Hong Kong. Thus there is a strong local retail element in the stock market, which is far from being risk averse. Any Hong Kong solution also has to recognise the relative lack of regulatory resources and experience. The Government may want to adjust the blueprint a little to allow for such considerations. But implementing the broad conclusions of yesterday's report must be an urgent priority.

Quentin Peel explains why Mr Gorbachev was sometimes preoccupied during the Moscow summit

Releasing the spirit of reform

THE MOST revealing moment at the post-summit press conference given by Mr Mikhail Gorbachev, the Soviet leader, came when he was asked an innocent question about a possible conservative backlash in the US to the whole process of superpower détente.

He immediately assumad the speaker, a Soviet journalist, was referring to that phenomenon in the Soviet Union. "I talked about that with media representatives," he said – and then realised his mistake.

"Oh, you are not talking about our conservativas, you are talking about American conservatives . . . I think the views of American conservatives will have little influence on us."

His slip of the tongue was carefully excised from the official version issued by Tass, the Soviet news agency, but not before it had been broadcast live to Soviet television viewers, as dramatic confirmation of the subject which is almost certainly at the forefront of the Soviet leader's mind.

It was not the only drama of the event: the first time a modern-day Soviet leader has given an international press conference on his home turf. He also galvanised his domestic audience by answering a direct question on the struggles within his leadership – the attack on his conservative-minded deputy, Mr Yegor Ligachev, by the former leader of the Moscow party, Mr Boris Yeltsin, in a BBC interview.

That was the one moment when Mr Gorbachev no longer appeared the articulate and self-confident international statesman of recent days – in contrast to the frequently tired and hesitant President Reagan – and showed himself to be a tough party boss. "We must demand that he explain his opinion and ask what he is out for," he said. "His opinion is at variance with the central committee."

The fact that domestic politics broke through into Mr Gorbachev's post-summit conclusions was confirmation of the obvious: that the Soviet Union today is obsessed with its internal affairs, and simply wants a breathing space from the outside world.

Throughout the summit, treated in the Soviet media with old-fashioned reverence, the real debate has continued in the letters columns of the press: what is happening to the *perestroika* reforms and will they be upset by a backlash at the party conference at the end of the month?

The Soviet leader's defence of his deputy must appear on the surface as at variance with his obvious worries about the conservative resistance to his policies of *perestroika* and *glasnost* – the restructuring of the rigid and ailing Soviet economy and the simultaneous explosion of freer speech and comment. Mr Ligachev is presented not only in the Western press, *but also by Mr Gorbachev's* most enthusiastic backers as the epitome of the conservative backlash, tha man holding back reform and hankering for the central control of the past. The reality is more complex.

The party conference, first mooted by Mr Gorbachev in January last year, was presented as a forum to set the seal on *perestroika*. At the time it was seen as an attempt to involve more of the grass roots of the party in the process and to persuade the *nomenklatura*, the conservative middle-ranks of party officialdom, to accept democratic controls on their ossified power structure. A conference, as opposed to a party congress, has no clear rules of procedure and would therefore give more influence to a clear-sighted leadership able to dictate the agenda.

Sixteen months later, Mr Gorbachev does seem to have succeeded in dictating the agenda for the conference, published as "theses" last week with the unanimous endorsement of the central committee. They pull no punches, damning the sorry state of the economy, the party, and Soviet democracy in general, and flatly pinning the blame for slow progress on blinkered bureaucrats and conservatives.

At his press conference the Soviet leader indicated that they had been drafted by Mr Alexander Yakovlev, his closest ally in the Politburo – a hint possibly that he is now more influential than Mr Ligachev, who might have been expected to play a bigger part, as head of party ideology. Yet the theses contain few concrete proposals, except for the proposal for a 10-year limit on holding party office – two five-year terms – unless three quarters of the party members agree to a third term.

For the rest, they contain hopes rather than practicalities: for the acceleration of economic reforms, including banking, prices and direct purchasing by individual enterprises, for a revival of the democratic authority of the elected soviets, rather than the party organs, and for an overhaul of legal controls on officialdom.

The word now is that the party conference cannot itself change the rules: it cannot change the party charter, but only suggest the way it should be interpreted. (On this view, the charter can only be changed at a full congress, not normally due for more than two years.) Nor is it likely to change the membership of the Central Committee, to promote more obvious reformers.

The theses certainly sound like a manifesto for a continuation and even acceleration of the tempo of reform, but it is no longer so obvious that the conference can and will deliver.

The furious debate in the party press, both in the letters columns and the news items, is over the selection of delegates. *Stories abound of the same* old party functionaries being foisted npon ill-attended meetings called at short notice. So far in Moscow itself – which is more progressive than most of the backwoods, although not the Baltic republics – a whole series of leading lights have been proposed but not confirmed. They include the sociologist, Tatyana Zaslavskaya, the political scientist, Fyodor Burlatsky, the historian, Yuri Afanasyev, the playwright, Mikhail Shatrov, and the journalist, Vitali Korotich, editor of the magazine Ogonyok.

An unusual demonstration took place in Pushkin Square last Saturday, undisturbed by the forces of law and order, denouncing the party hierarchy for failing to put forward such delegates. The demonstrators may yet get their way, for the plenum of the Moscow party was postponed, apparently for another look at the list.

The likelihood of getting more radical names from the provinces seems slim, although Mr Gorbachev cited the case of Sakhalin island in Siberia, where a mass protest forced the dismissal of the party secretary, and a new list of delegates.

In public at least, the Soviet leader has refused to be downcast. He knows he faces a major problem of public credibility, because the whole reform process has so far signally failed to produce material benefits. Shortages still abound, even of such essentials to sweet-toothed Soviet citizens as sugar, and food supplies are as erratic as ever.

The economy is still overwhelmingly governed by the public purchasing policies of the central authorities and attempts to devolve more initiative to individual enterprises are causing more problems than they are solving: they are now required to be self-financing, while still compelled to provide the bulk of their output to the state at fixed prices, and unable to purchase adequate supplies from similarly state-controlled producers.

On the other hand, the biggest thing going for Mr Gorbachev is *glasnost*. By lifting the restrictions on public debate, he has effectively prevented any return to the bad old days. Not only has the Stalin dictatorship come in for ever more savage attack, the Brezhnev years are now branded as riddled with corruption and complacency, and even the Khrushchev regime, with which the proponents of *perestroika* certainly have most sympathy, is portrayed as directionless and vacillating in failing to dismantle Stalinist structures.

The lid can no longer be put back on this sort of revelation, nor can the degree of public discussion on every subject from food supplies to pollution be easily restricted again. That is certainly one reason for Mr Gorbachev's apparent confidence that *perestroika* cannot be reversed: "It is not always, maybe, that things are moving successfully," he says. "It is not always that we find the correct solntion. Setbacks occur. But the main thing is that *perestroika* is picking up speed."

On the other hand, he also appears to be proceeding more cantiously. His supporters want him to get rid of Mr Ligachev. He seems to have concluded that be needs him. His deputy represents that strand of cautious thinking which knows that reform is essential, but would prefer to keep it economic, not political. It worries at any erosion of the power of the party. As long as Mr Gorbachev keeps him on board, Mr Ligachev may be able to reassure the *nomenklatura* that their interests have not been abandoned.

That is one reason why latterly the importance of the party conference seems to be being played down. Yet at the end of the day, the party leader may be able to get the democratisation he wants because of, and not in spite of, the old party hierarchy.

For years, tha party faithful have been trained to believe in the absolute wisdom of the party leadership, and slavishly to follow the line laid down by Moscow. This has been demonstrated once again in the peremptory dismissal of the party leaders in Armenia and Azerbaijan, blamed for allowing ethnic tensions in their republics to get out of hand recently. Mr Ligachev and Mr Yakovlev were sent from Moscow to get rid of them, and the local parties obliged.

So when it comes to the party conference, and provided Mr Gorbachev does not try to push the delegates too far, too fast, he may be able to win endorsement for most of his reforms, thanks to the very lack of democratic traditions he claims to be seeking to restore.

The task of dealing with 'negative phenomena'

THE THESES produced by the Central Committee for the party conference include the following questions and statements:

What are the first results of perestroika? What needs to be done to remove the obstacles, to give a new and powerful impulse to the revolutionary process of renewal, to make it irreversible? The answers to these questions . . . must be given by the 19th all-union party conference . . .

Perestroika has produced a fundamentally new ideological and political situation in society . . . a revolution in mentality. A salient feature of our time is the appearance of a real pluralism of opinions, open comparison of ideas and interests . . .

At the same time, perestroika is a process of conflict, proceeding as it does through difficulties and the struggle between old and new. Survivals of the conservative and bureaucratic mentality have proved especially tenacious. Adherents of dogmatic concepts of socialism are slow to yield. Attempts are being made to preserve the old, high-handed methods of running the economy and other spheres of life.

Without dealing with these negative phenomena, it is impossible to advance further and accomplish the major tasks of perestroika . . .

While backing diversity of views, the central committee stresses that discussions can be fertile only if they are carried out on the basis and in the name of socialism. They must not lead to political confrontation, to disunity of social forces . . .

This also applies to many sensitive issues of history . . . It is our party and civic duty to rehabilitate those who in the past fell victim to unjustified political accusations and illegality.

We need a permanent mechanism for comparing views, for criticism and self-criticism in the party and society . . . This is a matter of vital importance. A constant and constructive political dialogue, a civilised debate, wide information available on matters of domestic and foreign policy, and study and account of public opinion have to become part and parcel of the party's life.

The years of stagnation brought the country to the brink of an economic crisis. A far-reaching, high spending system of economic management outgrew its usefulness. Its structure and level of expertise are at variance with modern requirements. Its centralised, bureaucratic methods of management became a serious brake. Production, efficiency and living standards of the population ceased to grow. Many social questions were neglected . . .

Certainly, two to three years is not enough to implement radical economic reforms. We are at an early stage in a sort of transition period. It is only from this year that the law on state enterprise and other decisions relating to economic reform have begun to operate and even they are not functioning at full strength. They were put into effect in the middle of the five-year plan period, with old prices . . .

The possibilities which opened up with the start of the reform are being put to insufficient use. The conference is to look into the causes of that . . . One cannot fail to see that measures to implement the economic reform are being paralysed by the bureaucratic position of some ministries and departments.

An unbiased analysis of the achievements in the economic, social and cultural spheres . . . testifies to the need for reforming the political system of Soviet society. The aim is really to draw broad sections of the population into running all state and public affairs and to complete the formation of a socialist law-based state . . .

OBSERVER

Rewarding the Governor

■ The Bank of England is, understandably perhaps, rather sensitive about the salary of the Governor, Robin Leigh-Pemberton.

The Bank's latest annual report showed that be received £122,348 last year, up 23 per cent on the year before. This might seem rather a large increase given the present relatively low rate of inflation, to say nothing of the Bank's own strong position on the need for wage restraint in the economy.

Still, a fair amount of research went into it. The Bank's non-executive directors, who include industrialists like Sir Hector Laing of United Biscuits and the trade unionist, Gavin Laird of the engineers, were worried about the salary gap that was opening np between the Bank and the world outside. So they called in a firm of management consultants to look into the whole qnestion of gubernatorial pay scales.

The consultants compared the Governor's position to other top posts in industry and the City, and in Whitehall, and concluded that he deserved a catch-up. Even so, the Governor hardly looks overpaid by City standards. Clearing bank chairmen get around £150,000.

Although the figure is not officially published, Karl Otto Pöhl, the President of the Bundesbank, is thought to receive about Dm400,000. On present rates of exchange, Leigh-Pemberton is not so far behind.

Hot stuff

■ It was said of Jeremiah Colman that he made more money out of the mustard that people left on the side of their plates than from the amount that they actually consumed.

Much the same might be said about Peter Wright, whose book *Spycatcher* was finally liberated in the Australian courts yesterday and who becomes a millionaire as a result.

It was never hard to find somebody with a copy of the book. Very few, however, had managed to get all the way through its 392 pages. I did, and it wasn't worth it.

"It's the Australian version."

High class squat

■ The Soviets have now learned what the British started to discover in the last century – that Afghanistan is not an easy place to conquer. But while the Russian troops are now withdrawing, British diplomats are still living in what must be one of the most distinguished and desirable squats in Asia.

John Machley, tha British chargé d'affaires in Kabul, whose main job is writing weekly "sit reps" on Afghanistan's complex war and politics, is "the finest housed man in Asia" according to specifications decreed for the house when it was built in the 1920s by Lord Clive, then Foreign Secretary.

With its stately ballroom, panelled dining rooms, distinguished library, balconies and verandahs, as well as lawns and rose garden, there is little competition around, certainly not in the Kabul dust bowl. But the place is not really British property: hence the squat.

When India and Pakistan became independent in 1947, Britain handed over its properties to the new sovereign states. The Kabul embassy went to Pakistan, which decided it could not afford to maintain it and started negotiating to sell it to the British. But Afghanistan stepped in and said it did not recognise Pakistan's right to sell – or occupy.

So the British stayed put, and 40 years later are still squatting: rent-free.

Reagans galore

■ If Muscovites think they have seen the last of Reagan, they should go into hibernation next winter or prepare for a plane-full of Reagans, care of Thomson Holidays.

Charles Newbold, the managing director of Thomson, has come up with a summit-inspired publicity stunt to offer 100 winter breaks at £29 – the original price of the holiday in the1970s – to the first 100 bookings by travellers called Reagan. This would save £190 on the cost of the holiday.

Reagan being an Irish name, the firm is expecting a rush from Kilburn and Liverpool. Details of the offer have been sent to the White House.

Memorial Service

■ Punch and the Financial Times are holding a Memorial Service for Geoffrey Dickinson, the artist whose cartoons used to grace *this space* and who *died in* March, at St Bride's Church, Fleet Street, at noon on Tuesday June 7.

Serious women

■ There they were, 6,000 middle-aged middle-class women with money in their purses and plenty more at home and there was nothing to spend it on, except a bus full of books.

Most of the delegates to yesterday's Annual General Meeting of the National Federation of Women's Institutes filed out of the Albert Hall with their flasks and sandwiches for lunch in the open at the feet of the old Prince in Kensington Gardens.

This was the vanguard of a 340,000 strong army recruited from the socio-economic bracket and age-group that marketing people dream about.

It would be difficult to put a price on their membership mailing list and something of an academic exercise since they don't have one and even if they did they would be reluctant to part with it.

Hilary Wharton, manager of WI Books, one of the few people doing business at tha meeting with her popular books bus, is trying to compile a list. The main problem is the federation structure which allows individual groups plenty of autonomy.

The WI is in the midst of change at present in an attempt to stem the loss of 10,000 members in the last two or three years. There is a drive to open 700 new WIs by 1990 and many of these are likely to be in urban areas away from the rural base. It remains proud of its preserves and its anthem – Jerusalem – but today it is far more involved in topical issues. Rape sentencing, random breathalysers, water pollution and the ozone layer were all on this year's agenda.

A glance at the list of WI publications reveals that it is still heavily into crafts and cooking: out of 100 titles there is not one on childbirth.

Similarly at the WI Denman College there are hundreds of courses from Bobbin Lacemaking for absolute beginners to Tutankhamun – his life, times and tomb, but nothing mnch on babies. Not only that; nobody knew why.

James Buchan charts the capture of the US building materials company Koppers

An American challenge for Britain's Mr Beazer

MR BRIAN BEAZER is dapper, hard as nails and precise to the point of pedantry. He has spent most of his life in the provincial building industry in England. He is not the sort of person you expect to find pacing a conference room 19 floors above Madison Avenue, drinking champagne out of a plastic goblet and smoking a medium-sized cigar.

But Mr Beazer, who is 53, had something to celebrate on Wednesday night and, anyway, the cigar soon went out. The man who inherited the chair at a smallish family firm in the English town of Bath five years ago had just bought one of America's largest building businesses: Koppers of Pittsburgh.

But that was not the half of it on Wednesday. In a year of single-minded campaigning, Mr Beazer had outflanked a sceptical City in London, a stock-market collapse on Wall Street and bitter opposition in Pittsburgh. With the $1.72bn purchase of Koppers he had doubled the size of Beazer and created what passes in the fragmented and cyclical world construction market for a big and balanced company, with over £2bn in sales. And he had joined the few British businessmen (led by Sir Gordon White of Hanson Industries) who are free of the conventions of the UK capital markets because they are quite at home on Wall Street.

It was a moment to enjoy.

But it would be out of character if Brian Beazer thought of anything other than building for very long. In a moment he was back to business, reassuring Pittsburgh journalists over the telephone about jobs in the town and unravelling the complexities of the settlement of an anti-trust case that arose over the number of quarries Beazer was acquiring in Southern California.

He has given Koppers' local management 45 days to come up with an offer for the company's chemicals businesses, which he does not want and needs to sell to pay off the most urgent debt of his $1.8bn in financing. Court documents filed by Beazer claim that these businesses, which had revenues of $606m largely from coal tar derivatives last year, could raise $380m to $450m. Some steel operations and a paint business could raise a hundred million more towards Mr Beazer's disposal target of $700m.

In addition, though he does not admit it, Mr Beazer is expected to move to reassure the City which is nervous about everything to do with Koppers: the debt, the high price relative to profits Beazer has paid and the sheer size of the acquisition. Beazer's share price has fallen nearly 15 per cent since Mr Beazer unveiled his approach to Koppers on March 3.

Koppers today is a far cry from the company, founded in 1907 by Heinrich Koppers, which made its fortune putting up coke ovens and steel mills. The company moved into chemicals in the 1960s, but it became steadily less profitable after the mid-1970s and saw its markets collapse in the recession of the early 1980s.

Under Mr Charles Pullin, who took over as chairman in 1982, Koppers was reshaped and transformed. Mr Pullin, an engineer who came up through Koppers' roadbuilding and materials business, sold off the original steel-mill operation and about a third of the company to concentrate on supplying materials to a growing market: repairing America's crumbling roads and bridges.

According to Mr Christopher Willis, an analyst at the stockbrokers Brown Brothers Harriman on Wall Street, government spending on highway repair and maintenance has grown at a compound 9 per cent a year for the past 10 years to reach $18bn last year.

Under Mr Pullin, who is now 65, Koppers has thrown everything at this market. The company now has 179 quarries for sand, gravel and stone and related crushing plants and is the second largest US producer of aggregates after Vulcan Materials of Birmingham, Alabama. Conveniently, Koppers' quarries are concentrated in such bone-jarring states as New York and Pennsylvania and in the strong regional markets of the South-East and Southern California. By last year, Koppers was deriving about $400m in revenues from highway repair and operating income at its aggregates business was up 23 per cent at $120m. Overall, the company had after-tax income from continuing businesses of $70m: not much on sales of $1.52bn, but still a recovery.

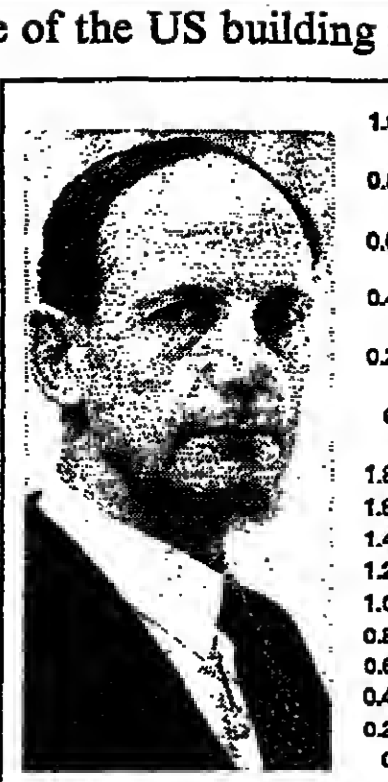
On June 1, 1987 – a year to the day before Koppers surrendered – Mr Beazer and his chief banker, Mr John Matthews of County NatWest, arrived in the US to scout out an acquisition. The UK, with its planning inquiries and green belts, was becoming too small for Beazer. The company, which had only £70m in revenues when Mr Beazer took over as chairman after the death of his father Cyril, had grown to revenues of £1.035bn through a string of company acquisitions in materials, housebuilding and contracting.

Beazer had been operating in the US for two years, having bought an Atlanta housebuilder called Cohn Communities in 1985 and then, the next year, the big Dallas-based cement company Gifford-Hill. The two companies were providing about $25m in profits and Beazer wanted more. Together with Shearson Lehman, the big Wall Street investment firm, Mr Beazer and Mr Matthews drew up a list of about 20 potential targets.

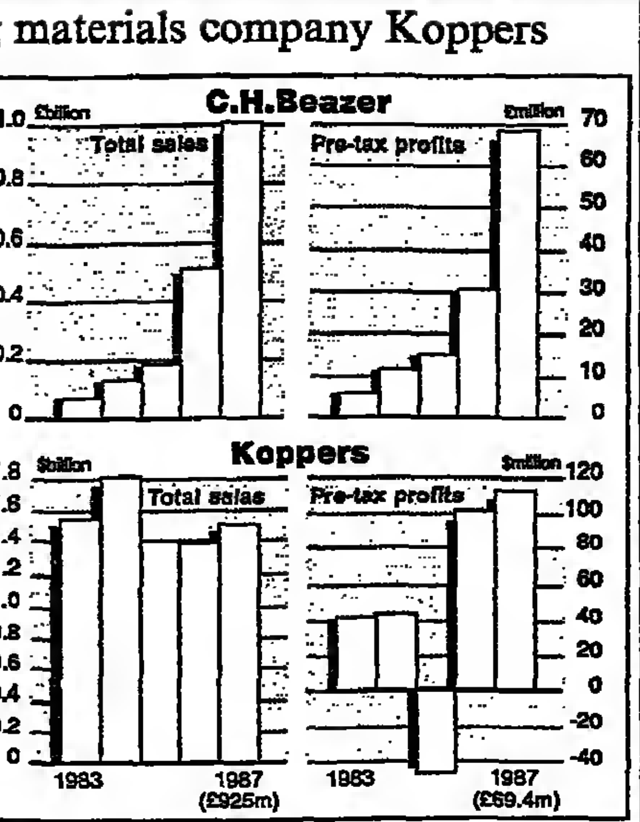
"There are far fewer major building companies in the US than newspapers," Mr Beazer said. "And on any list of 20, you can eliminate 90 per cent straight away because they are family-owned or whatever. We soon came down to Koppers.

"The great attractions of Koppers were its commitment to public works programmes and its geographical position. Construction will always be cyclical, but the infrastructure market is strong and getting stronger when demand for office building and commercial space is falling. Also Koppers was big in the Pacific and the North-East and South-East when we were strong in Texas."

That summer, Beazer executives spent much of their time poring over Koppers' financial statements or blinking out from highway verges at quarries and crushing plants – careful, Mr Beazer says, never to trespass.



Brian Beazer



The business looked right but there were formidable obstacles.

The first was in the City, where the investing institutions such as pension funds and insurance companies admired Mr Beazer but were fed up with buying his shares to finance acquisitions. During Mr Beazer's tenure as chairman, the company's revenues have more than doubled every year. But earnings per share, which are more important to a company's share price, have risen a less spectacular 17 per cent compound because the number of Beazer's shares in issue went from 12m to nearly 300m. The City bought the shares to finance the $303m purchase of Gifford-Hill but then dug in its collective heels.

"There will be no equity issue to finance the Koppers purchase," Mr Beazer says flatly. But Koppers is so big that Mr Beazer has recourse only to relatively high-yielding overdraft funds and to the subordinated debt known fondly in the US as junk finance. This is not the kind of financing the City tolerates from its favourite businessmen.

But Mr Beazer was not to be stopped. Shearson Lehman, County NatWest and Citibank came up with a scheme of mind-numbing complexity whereby a shell company, known as BNS, actually was to make the offer. That way, the debt could be kept off Beazer's balance sheet. The scheme was received sniffily in the City and gave Koppers all manner of defensive ammunition, but it appears to have worked.

BNS was put together in early October, just in time for the stock market crash. Once again, Mr Beazer was not to be deterred. "I was told that our industry would collapse, that Park Lane houses would soon change hands for a pound, but in fact values have not changed. In fact, since October 19 in England, we've enjoyed the biggest boom in housing in my lifetime." On March 3, without even approaching Koppers, BNS launched its tender offer at $45 a share.

It was like walking into a hornet's nest. For three months, Mr Pullin fought for the company's independence. An army of lawyers – which Beazer must eventually feed and clothe – secured two injunctions against the bid, one in Pittsburgh over the financing and the other in Los Angeles over potential anti-trust problems in the Southern California aggregates market. Pittsburgh and Pennsylvania officials and local Congressmen rallied to defend Mr Pullin's cause. Mr Anthony Archer, of County NatWest in New York, says ruefully: "We anticipated the legal methods in large part but not really the political lobbying."

But Beazer and its allies stood their ground and then advanced, raising the bid in stages to $60 a share while providing guarantees to the workforce and to the City of Pittsburgh.

One by one, Mr Pullin's defences crumbled. He could not find a "white knight" to make a competitive offer. Nearly 80 per cent of his shareholders had offered their stock to Beazer by last Friday. And that day, his best legal recourse collapsed when a California judge opened the way to the lifting of the injunction by promising to name a trustee for the quarries at issue. By the weekend, Mr Pullin faced a full-scale management revolt and he reluctantly agreed to talk. These talks continued through Monday, the Memorial Day holiday. Finally on Wednesday, the full board approved the sale of the company to Beazer at $61 a share, the extra dollar for its pride.

Wall Street, which lives and breathes takeovers, is already drawing an important conclusion from Mr Beazer's victory: that no amount of management opposition, lawsuits, "poison pill" company by-laws and political lobbying can defeat a determined purchaser.

For the next year or so, Mr Beazer will have his hands full with Koppers. He insists that the company will earn enough to cover the interest cost of buying it "from day one", but analysts in Wall Street and London believe it will take considerable management effort to raise operating profit margins sufficiently to do so. "Koppers has got a very decent price," said Mr Willis of Brown Brothers Harriman.

Mr Beazer appears to be looking forward to the challenge. "I was brought up in a family of builders," he says. "I was always surrounded by plans, theodolites, trowels, bills of amount and that's what the future will be for me as well. I intend to make this company the most successful and profitable in our industry."

Lombard

Thatcherism and social values

By John Lloyd

THE BISHOP of Gloucester's letter to Mrs Thatcher, published earlier this week, was at once sloppy and to the point. The sloppiness was in its hyperbole and its rhetorical quality. By implying, for example, that the Prime Minister said (in her speech to the Kirk Assembly in Scotland two weeks ago) that "the needs of the poor in our sort of world can be met by individual charity alone," the Bishop gives at least one hostage to the well-blooded hatchets of her private office.

But a section of his letter not much highlighted was to the point. A rhetorical question asked: "Can we understand personal responsibility without stressing also the essentially social character of human life?" Then – answering his own question – "the social character is fundamental and inescapable."

It is precisely the social character of much of modern life from which the Prime Minister seeks to escape, in pitching its tent on individualism and market relations, modern Conservatism has polarised the political argument. What stance the Church of England takes in this is hardly likely to be settled by the use and abuse of biblical quotation. Yet how can it arrive at a definable, defendable position?

A glimpse of its efforts to do so is given in a small-circulation pamphlet produced by the Theology and Social Values Group of the Diocese of Winchester.* The group, set up to respond to the Archbishop of Canterbury's report Faith in the City, seeks to show that Christians cannot support Conservatism in its neo-liberal or Thatcherite form.

The Winchester publication describes neo-Conservatism with reference to its key authors – Hayek, Friedman, Lord (Keith) Joseph, Lord Harris, Professor Brian Griffiths. It distils from them an essence which holds that governments must have nothing to do with notions like "just distribution"; markets, like natural occurrences, should be beyond tinkering; freedom is the absence of intentional coercion; poverty is effectively addressed by general enrichment, starting at the top.

Against this it proposes a notion of "effective agency," producing the conditions for real freedom. Effective agency is achieved by granting all citizens a right to "a set of basic goods, such as income, health, education and welfare," which would complement the negative freedom from coercion.

In this the Winchester group has reproduced in readable form the core of the argument between left and right. Can the left's case be squared with scripture? The effort to do so rests on the following assertions:

First: that the "fundamental thema" of Christ's teaching is that life is a gift given to all, irrespective of worth, just deserts or ability: it "implies a fundamentally egalitarian thrust at the heart of the biblical testimony."

Second: that the Holy Trinity is an equal, non-hierarchical "community" of beings which "corresponds to a community in which people are defined through their relations . . . not . . . in terms of power and possessions."

Third: that the special characteristic of Anglican social thought is to emphasise the incarnation; Christ as the word of God made flesh. This, by its very nature, challenges an abstract ideology like neo-Conservatism. The lived experience of the poor points to this: that "poverty feels like unfreedom and is unfreedom; and in a rich society poverty feels like injustice and is injustice. This is a way of thinking about freedom that is both faithful to the principle of the Incarnation and true to the experience of poor people."

Theologians must decide how this accords with scripture. The point about it is that it provides a substructure for a strain of Anglicanism which will remain in active opposition to the Government and will be forced increasingly to articulate that opposition the more the Prime Minister and her colleagues give tongue to their version of the gospel's message.

Not for the first time she has touched the vibrant nerve of a subject, and roused it. But the divisions (in the sense employed by Stalin in his famous crack about the Pope) are not all on her side in the continuing argument.

*Faith in the City: Theological and Moral Challenges, Diocese of Winchester

Letters to the Editor

Gently does it

From Mr Michael Ross.

Sir, You write (May 31) that the use of "credit controls . . . to break a dangerous speculative bubble" in house prices "would not be a betrayal of market principles." Your use of the word "dangerous" is subjective.

A bubble is dangerous if broken (or burst, as common parlance has it), as you seem to be advocating as a possible course of action. A bubble is not as dangerous if allowed to deflate.

The harsh – and, moreover, sudden – imposition of credit controls by the authorities, either by the cost mechanism or – worse – by a rationing mechanism, has in the past been responsible for many a financial crash and more than one property crash, as those of us who are either bankers or property men recall only too well.

You are right in saying that "direct credit controls are the most powerful weapon at the disposal of the authorities." They must therefore be used, if at all, with the utmost gentleness, like the most powerful brakes in a car. Your object, Sir, is surely not to burst a bubble (if indeed you have the right image), but to deflate it.

Michael Ross,
5 Ulster Terrace,
Regent's Park, NW1

Perceptions of poverty

From Mr Peter Golding.

Sir, John Lloyd's Lombard (May 26) draws attention to a crucial dilemma for those concerned by the current drift of social policy and the deepening social and economic divisions it has created. That poverty has increased despite the best efforts of the "poverty lobby" and its allies is indisputable, but the conclusion drawn by Mr Lloyd should not pass without comment.

First: that this administration is wilfully blind to evidence and reason, and is indeed committed to reducing the availability of data on which rational policy debate can be based, is a political fact. But neither working class Tories nor tha poverty lobby should be blamed for the dogmatic and authoritarian inclinations of the Government. Evidence ignored is not evidence confounded.

Second: the research Mr Lloyd points to, which identifies the ungenerous instincts of those barely above the poverty line, is not news. The individualism and heavily conditional altruism that flow from precarious survival in low paid work long pre-date Thatcherism or "yuppiedom." It was discussed in poverty lobby organisations in the late 1970s and early 1980s, and is an important strategic justification for a heavy investment in such measures as child benefit.

Anti-poverty groups have been alive to this concern for many years, and are relatively vibrant as a result. The Child Poverty Action Group (CPAG) has almost donbled its membership in the last six years. If CPAG is preaching to the converted, there are a great many more of the converted than there used to be – and they are not all familiar faces.

Third: people's attitudes are complex and contradictory: real concern for the "genuinely" needy mixes with contempt for those readily labelled "undeserving." It is an uphill task to create policies and the political will to tap John Lloyd's "new ethic of decency and fairness." But without the imagination and labours of the poverty lobby it will be a very mnch harder task.

Peter Golding,
40 Sandown Road,
Leicester

Water industry floats towards privatisation

From Mr Gordon Jones.

Sir, I was interested to read (FT, May 31) about the privatisation of the 10 water authorities and, in particular, comments about Yorkshire Water which – your article alleges – has "higher debts and more problems than the others."

I am not sure what the correct criterion is for measuring debt in the water industry, particularly in the context of privatisation, prior to which the share capital of water authorities may have to be restructured significantly. But if, for example, you compare the ratio of loans to sales, or loans to fixed assets, then Yorkshire Water – and Severn-Trent, for example which is also mentioned in the article – are almost identical and, indeed, almost indistinguishable.

The best water anthority by far, on the basis of these two indices, is Thames.

Gordon Jones,
Chairman, Yorkshire Water,
West Riding House,
67 Albion Street,
Leeds, Yorkshire

If intended for pnhlication, letters to the Editor should include, where possible, a daytime telephone number.

No such remark appears

From Mr William Coleman.

Sir, The attribution to Lenin of the statement that "the surest way of destroying a nation is to debauch its currency" (Mr Geoffrey Mills, May 23) is a canard which should be put to rest.

The validity of the attribution has been exhaustively investigated by Frank Whitson Fetter. He writes (Economica, February 1977):

"To prova that Lenin never made such a statement at any time, or in any setting, would be quite impossible. However, no such remark appears anywhere in the English edition of Lenin's collected works, and correspondence with the major biographers of Lenin has failed to reveal the slightest evidence that he ever said anything remotely resembling the remark attributed to him by Keynes."

William Coleman,
University of Exeter,
Amory Building,
Rennes Drive,
Exeter, Devon

Seen at the Zoo

From Mr G.I. Taylor.

Sir, I was disturbed to read Mr Macphail's criticism of the Government's grant of £10m to the London Zoo (May 24).

I am not a zoologist, and can only speak of my own and my children's enjoyment of London's zoo. Since our last visit, some months ago, we have seen many changes afoot to up-date it.

More can be done to improve the zoo's public relations and commercialism, hnt I cannot agree with Mr Macphail when be likens it to such "other commercial failures as the motor industry, shipbuilding industry, steel industry, aircraft industry and so on." Surely the zoo should be looked upon in the same way as an educational institution? Could not the zoo take a leaf out of the National Trust's book, and have more involvement with schools?

G.I. Taylor,
7 Weald View,
Bodiam Road,
Staplecross,
Robertsbridge, East Sussex

'These reports have caused understandable anxiety among many Names'

From Mr C.A.A. Harbord-Hammond.

Sir, Over recent weeks there has been considerable speculation as to the losses associated with Mr R.H.M. Outhwaite, the Lloyd's of London underwriter. Figures ranging from £200m to £1bn have been offered.

These reports have caused understandable anxiety among many Names (members of Lloyd's) who support Mr Outhwaite's syndicate. I should be grateful, therefore, if I could make some points which, I feel, would clarify these reports and put them into context.

First, the losses so far are severe, but they affect only those Names who supported the syndicate for the 1982 underwriting account. Owing to the fact that the 1982 year of account was left "open," any Name who joined from 1983 onwards is free of any liability for these losses.

Second, the Freshfields Report – while containing the odd criticism – is in many ways supportive of Mr Outhwaite's underwriting in 1982.

Third, Mr Onthwaite is regarded by many Lloyd's agents as an able, hard working and imaginative underwriter. His syndicate is one of the most heavily supported at Lloyd's. In 1982 there were approximately 1950 Names on the syndicate, and by 1987 tbis number bad increased to about 4150, which is strong evidence of those qualities.

Fonrth, with the obvions exception of 1982, his results have been good; and consistently so. For over 2000 Names who have joined his syndicate since 1982, he has presented them with an average 11.77 per cent return. Before 1982, the average return since he started his syndicate was 12.27 per cent.

This agency has been and remains an active supporter of Mr Outhwaite. I believe that now is the time for someone to point to his successes.

C.A.A. Harbord-Hammond,
Donner Underwriting Agencies
9-13 Fenchurch Buildings,
Fenchurch Street, EC3

FINANCIAL TIMES

Friday June 3 1988

Moscow is looking for a reformer to bring East Germany into line, **reports Leslie Colitt**

Writing on the wall for Honecker

SOVIET representatives in East Berlin strongly hint that Mr Erich Honecker, East Germany's conservative 75-year-old leader, may soon be a candidate for retirement.

Moscow's dilemma, however, is that there is no one in the East German party's 22-member ruling Politburo who can even remotely be regarded as a reformer. It faced a similar predicament in Czechoslovakia where the ageing, orthodox party leader, Mr Gustav Husak, was replaced last December by a younger but equally conservative Mr Milos Jakes. The Czechoslovak party, while lacking a reformist leadership, at least has a programme for economic reform which does not exist in East Germany.

Mr Honecker has staunchly resisted adopting the economic and political reforms launched by Mr Mikhail Gorbachev, the Soviet leader. In a recent interview he noted caustically that "no one had a recipe valid for everyone."

East Germany had already carried out extensive reforms and "restructuring," he insisted, carefully avoiding the emotive Russian word *perestroika*.

Soviet displeasure with Mr Honecker has mounted since last year but Moscow has refrained from using overt pressure on its most important Warsaw Pact ally.

East German officials argued that their country was on the front line of socialism facing West Germany. They warned that reforms in East Germany could lead to an uncontrollable situation which the Soviet Union would be the first to regret.

This dire scenario left its mark on senior Soviet policy-makers. Mr Honecker was left alone to advocate even more central planning and tighter ideological control.

However, Soviet diplomats and correspondents in East Berlin now suggest that Mr Honecker's autocratic rule is wholly out of tune with East Germany's political and economic realities. East Germans of all ages have deluged the Soviet embassy on Unter den Linden with letters calling for Mr Gorbachev's *glasnost* (openness) to be applied in East Germany.

The House of Soviet Science and Culture is unable to satisfy East German citizens' requests for publications about the Soviet reforms at a time when the official East German media is refusing to comment about developments in the Soviet Union.

Significantly Soviet economic specialists point to an alarming slowdown in the East German economy and hint strongly that what is needed is a thorough reform of the economic machine.

The reaction of the East German leadership has been to batten down the ideological hatches. At the same time East Germany is trying to retain the vital goodwill it has accumulated in Bonn over recent years. A record number of East Germans is expected to be allowed to visit West Germany this year. Some 1.2m citizens below retirement age were able to travel westwards in 1987.

After much prodding by the West, East Germany is preparing to reduce somewhat the arbitrariness with which it treats citizens wanting to emigrate to West Germany. A set of regulations is to be issued under which East Germans refused permission to leave are to be given the reasons why and some legal recourse.

In the past such political concessions by East Germany have always resulted in economic benefits from West Germany. This time East Germany stands to gain from the expected leasing of Airbus A-310 aircraft to its Interflug airline by a West German-led banking consortium. Lufthansa, the West German government-owned airline, is to carry out maintenance of the aircraft. A West German plan to build a high-speed rail link between West Berlin and West Germany would improve East Germany's rail network at minimal cost to it.

In a similar vein, a recent private trip to East Germany by Mr Helmut Kohl, the West German Chancellor, was partly designed to encourage more West Germans to cross the border and in the process to boost East Germany's already considerable intake of D-Marks.

But to Soviet eyes none of this is of much benefit to Moscow. East Germany is not providing the Soviet Union with the advanced, high-quality products it requires, Soviet officials claim.

They suggest that East Germany's economic growth rate in recent years was heavily doctored and that last year's growth rate was closer to nil than to the 3.6 per cent officially reported. Nearly 80 per cent of East Germany's giant industrial *kombinate* (groups) are said to have failed to fulfil the plan last year. Only radical reforms, the Soviets say, can improve East Germany's lagging economic performance.

Soviet diplomats also note disparagingly that a growing number of East Germans visiting West Germany, especially doctors, fail to return home.

"As long as they can earn more in the West they will stay there," a Soviet envoy remarked pessimistically. He and other Soviet officials suggested that instead of courting West Germany, the leadership in East Berlin should make East Germany more attractive for its citizens. Mr Honecker, they suggested, is too old and set in his ways for this task and should think seriously of retirement after 16 years in power.

Mr Honecker appears determined to remain general secretary of the party at least until after celebrating the 40th anniversary in October next year of East Germany's founding.

Mr Egon Krenz, 52, widely assumed to be his heir apparent, holds the key Politburo post as secretary for security, youth and sport. However, Mr Krenz has given no hint of harbouring reformist views. Neither have his chief rivals for the succession, Mr Guenter Schabowski, the party chief of East Berlin, and Mr Werner Felfe, the ruling Politburo's agricultural expert.

Without an East German reformer of any stature in sight, Mr Gorbachev finds himself in a quandary which, ironically, is largely of Moscow's own making. Under previous Soviet leaders only the most conservative party apparatchiks were permitted to enter the East Germany Politburo.

Erich Honecker: set for retirement?

Kanak dead haunt French bid to woo New Caledonia

By Ian Davidson in Paris

CONTROVERSY OVER last month's French military operation to release 22 hostages held by Melanesian separatists in New Caledonia continues to cast a cloud over the new Socialist Government's attempts to construct a more conciliatory policy towards the Pacific territory's indigenous Kanaks. Nineteen Melanesians and two French gendarmes died in the assault.

There are indications that the European population of the territory, overwhelmingly committed to the right-wing Gaullist party, may have been persuaded by the re-election of President François Mitterrand, and the prospect of a Socialist victory in the forthcoming general election of the need for a policy of compromise between Melanesians and Europeans. The first round of that election is this Sunday.

At the time, the military operation launched just before the presidential election prompted a storm of criticism from the Socialist opposition, on the grounds that it was a flagrantly political *coup de théâtre*. Since then the controversy has focused on the deaths of the leader of the independentist group, Alphonse Dianou, and two of his companions, amid allegations that they were killed or fatally wounded after the military operation was complete.

At the beginning of this week the Justice Ministry opened a judicial inquiry into these deaths, specifically invoking the possibility that there had been deliberate homicide, deliberate wounding and non-assistance to a person in danger. Yesterday Mr Jean-Pierre Chevenement, the Defence Minister, lifted the security classification of the report of the military inquiry into the incident, in order to transfer it to the judicial authorities.

Earlier, Mr Chevenement had suspended the officer responsible for the evacuation of the wounded from the scene of the operation, and had publicly indicated that acts "contrary to military duty" had been committed.

The despatch by the two inspectors-general has not been published. But it is reported, both by the French newsagency AFP and by the newspaper Libération, to give circumstantial support to allegations that Alphonse Dianou may have been fatally maltreated by members of the French military after the operation.

Wounded in the closing phase of the assault on the grotto where the hostages had been held, Mr Dianou was dead before he was transported to the airfield of Ouloup. The allegation is that his transfusion drip may have been removed, and that he may have been beaten. Melanesian sources claim that Wenceslas Lavelloi and Waima Amossa were shot in cold blood.

The specific issue at stake in the case is limited to a criminal inquiry into the actions of individual soldiers in a particular military operation. But it is symptomatic of the intense political polarisation of the affairs of New Caledonia that the controversy is widely held, in the run-up to the general election, to have deeper ramifications.

In particular, it is being represented by the Gaullists as a disgraceful smear on the honour of the armed forces.

THE LEX COLUMN

Half the way is not enough

The Bank of England may be getting what it wanted in terms of higher interest rates and a lower exchange rate, but the way in which this has been achieved can scarcely be to its liking. Whatever the official differences over exchange rate policy, everyone agrees that stability is desirable. Yesterday's fall of 5 pfennigs, despite a base rate rise, shows how powerless the authorities are at achieving it. Indeed, the violence of the fall may make the Government look foolish today: to raise base rates again at once would be to admit having got it wrong yesterday; yet to wait might cause another mad downward rush. Interest futures are clearly anticipating a good deal more fun, and judging from the level of the June contract, nothing short of a full point on rates would satisfy.

At least yesterday's move clarifies the Government's position, which is to keep sterling within a band while letting interest rates take the strain. Yet to conclude that DM3.12 is close to the bottom end of that band would be mistaken - yesterday's rise in rates was prompted more by the speed of sterling's fall than the extent of it.

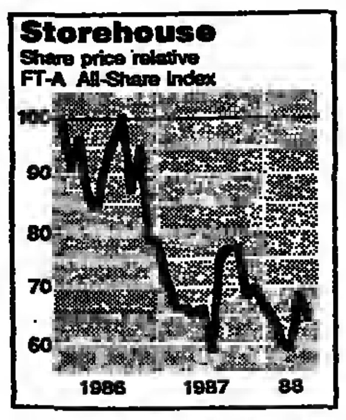
Meanwhile, the cool response of the equity market is to be commended. If the long end of the bond market continues to refuse to get upset about these wild swings at the short end, equities should welcome the attempt to keep the pound steady.

Storehouse

Storehouse may choose to describe as "busy and eventful" a year in which it did nothing right and was constantly at the end of real and rumoured bids. The 8 per cent fall in profits gives a more objective version of what has been going on: the bungling of Mothercare's distribution system cost about £10m, and muddling to poor performance in the rest of the group meant the hole was left unfilled.

With better management and better luck, this year's events and business will be to greater effect. In the last few months, Storehouse has belatedly started to behave as a group rather than a number of businesses hastily cobbled together. The process seems to be gathering speed under the new chief executive, who, it is hoped, will lend the professional and efficient edge that has been so plainly lacking. More important may be the review now under way on the use of its properties. This is now so poorly allocated that less than half BhS's space is being used for selling.

Perhaps weary shareholders will spot a likeness between Storehouse now and Woolworth four years ago, and decide to give it another chance. Such tolerance might lead to a lower share price; but in the absence of any serious names among potential bidders, the extra 10 or 15 per cent in the share price should probably not be there anyway.



Siebe

Siebe listens – or at least, Siebe would like the market to think so. Yesterday's commitment to forego further rights issues for a year, and news that gearing had been brought to a 7-year low, looked like a welcome effort to placate the disgruntled; but it seems the disgruntled were not impressed, as the shares lost 1p to close at 348p.

On a long term view, this is undoubtedly a shame: in geographical, industrial and financial terms, Siebe's mix of businesses promise strong growth as the company uses controls technology developed in the US and Japan to penetrate European markets. Although 45 per cent dependence on revenues from North America may worry investors now, one can be forgiven for wondering whether the high quality of that American exposure, coupled with a prospective rating of only 7.8 times earnings, might not make Siebe look attractive to a predator.

Perhaps it would have been worth another 1p on the dividend to show the market that Siebe knows how to manage investors as well as businesses – and tackle the undervaluation problem. At 8.78p the dividend is already covered nearly five times, and meanness is not the sort of image Siebe can afford at the moment.

FKI Babcock

If any further proof was needed that small, acquisition-driven companies are no longer the flavour of the month, FKI Babcock provides it. Just nine months after it digested the mighty Babcock, it has knocked out £50m a year of costs, totally rationalised its business and, through a combination of disposals and squeezing working capital, now has a debt-free balance sheet. Pre-tax profits have jumped from less than £6m three years ago to £48.5m last year, and it should make upwards of £105m this year as the full benefits of the Babcock cost savings flow through to the bottom line.

The company has done everything it promised, and if its aggressive target of 25 per cent a year earnings growth for the foreseable future is to be believed, the shares should not be trading on a lowly prospective multiple of less than 7½ times earnings. Admittedly, the luckless underwriters of last year's rights issue may still be trying to dribble out their shares whenever there is any sign of strength. However, the major concern is that FKI's growth remains dependent primarily on acquisitions rather than organic growth, and until the company can prove that it can sustain this growth without further share issues, the modest valuation is unlikely to change.

Kings Cross

Despite the political sensitivities of awarding the biggest property development job in Europe to a group which has already made a fortune out of its relationship with British Rail, the smart money was always on Rosehaugh and Stanhope and their shares jumped to new highs yesterday ahead of the official decision. The key question now is whether the recent strength in their share prices has already discounted the near term benefits of the deal. Back of the envelope calculations suggest that Rosehaugh alone could make profits of around £500m, or the equivalent of its current market capitalisation, over the life of the project. But since the shares of both companies are already standing at substantial premiums to net asset value, the prices tend to be motivated more by hope than traditional property valuation criteria.

Court rejects appeal on spy book ban

BY TOM LYNCH IN LONDON AND CHRIS SHERWELL IN SYDNEY

HUNDREDS OF thousands of copies of Spycatcher, the memoirs of the former intelligence officer Peter Wright, are ready for the British market in the wake of yesterday's Australian court ruling that publication can go ahead, William Heinemann (Australia), the book's publisher, said yesterday.

Mr Nicholas Thompson, the company's chairman, said Heinemann had stockpiled paperback and hardback versions of the book, hoping for a swift end to the Government's campaign to keep the book banned in Britain.

A unanimous decision handed down by the seven judges of the federal High Court in Canberra rejected a British government appeal against publication and backed the New South Wales Court of Appeal's view of last September, which paved the way for the original publication of Mr Wright's book. The judges also awarded costs against the British Government.

The verdict will increase pressure on the Government to abandon its appeal to the British House of Lords – due to start on June 13 – against the Court of Appeal's refusal to grant a permanent injunction against the publication of Mr Wright's allegations, including the claim that a group of secret service officers tried to destabilise the last Labour Government.

The Australian decision concludes a protracted and costly process which began in 1986 and has now delivered the British Government three embarrassing legal defeats.

The result deprives it of any chance of damages and means that the 71-year-old Mr Wright, who lives in Tasmania, can now receive millions of pounds in royalties. Spycatcher has sold 240,000 copies in Australia alone.

Spycatcher bid, Page 10

Texas Air cleared in government inquiry

BY ANATOLE KALETSKY IN NEW YORK

TEXAS AIR, the US airline holding company assembled over the last five years by Mr Frank Lorenzo, emerged broadly unscathed yesterday from an unprecedented government inquiry into its safety and financial soundness.

The Department of Transportation, which announced in April that a long series of safety infractions, adverse court rulings and industrial relations disputes had forced it to launch an investigation of Mr Lorenzo's fitness to run an airline, said its inspectors had concluded that Eastern Airlines, one of Texas Air's two main operating susbsidiaries, was a "safe airline". It warned, however, that further labour-management disputes could "pose a risk" to public safety at some time in the future.

Eastern, which has been wracked by industrial strife since Mr Lorenzo took it over nearly two years ago, was the main focus of the DoT's inquiry. Only a day before the DoT study was announced, the Federal Aviation Administration had imposed heavy fines on the management for irregularities in aircraft maintenance. This FAA decision followed a long campaign by Eastern's pilots and mechanics to draw public attention to the alleged dangers of Mr Lorenzo's parsimonious and confrontational style of management.

The DoT inspectors also found no "reasons for concern" about either the safety or the complex financial structure of Texas Air and Continental Air, the other main operating company in the Lorenzo empire. Between them, these two Texas Air subsidiaries along with a number of small commuter airlines, account for 20 per cent of US passenger air traffic and consitute the biggest airline system outside the Communist world.

UK base rates rise to stabilise falling sterling

Continued from Page 1

reports of intervention by the Bank of England to support the pound.

Sterling was under pressure before and after the rise in interest rates. At one stage, in late afternoon trading, the pound had fallen below DM3.10 but rose to stabilise just above that level.

Few market operators felt confident about making predictions on the pound's short-term outlook.

The equity market shrugged off the rise in base rates and generally welcomed the further fall in sterling. The FT-SE 100 Share Index closed up 4.6 points at 1,810.3 and the FT Ordinary Share Index closed 3.8 higher at 1,443.4.

Pentagon chooses US-Israel team to supply tactical radios

BY RODERICK ORAM IN NEW YORK AND ANDREW WHITLEY IN JERUSALEM

GENERAL DYNAMICS of the US and Tadiran, an Israeli electronics group, have been chosen by the US military as a second source of supply for tactical radios to supplement those from ITT.

The initial order is worth $22m. There are two options built into the deal which may lift its value to the Israeli and American companies to $80m.

The choice of Tadiran's radio technology represents a significant boost to its fortunes and to the Israeli defence industry in general.

The contract is also important to General Dynamics because it makes it again a leading supplier of US military radios, a position it last held in the 1960s. It will contribute to the radios devices to make the transmissions secure against enemy interception.

The radios, which the Pentagon requires to be compatible with ITT's including interchangable components, are being built under the US military's Single Channel Ground and Airborne Radio Systems (Sincgars) programme.

The deal is based on a twin sourcing principle, in which the winner of a second tender will be awarded 60 per cent of the work and the loser will have the smaller share.

The initial General Dynamics-Tadiran contract is to develop and supply 550 radio sets to be used by infantry, in vehicles and in aircraft. Beginning in 1991, however, the team will compete against ITT in periodic tenders calls for more radios.

General Dynamics and Tadiran could expect to win a large share of the total orders, judging by previous experience of second source competitions, General Dynamics said.

The final value of the project will depend on the Pentagon's procurement plans but it is likely to total between $2bn and $3bn over some 15 years, it said.

In common with the rest of the Israeli defence electronics industry, Tadiran has recently been to financial difficulties because of the sharp cutback in domestic orders.

Both companies will have separate plants in Florida state capital Tallahasee to share production of the radios.

Nato backing for Shultz on summit stance

Continued from Page 1

London on the Angolan war and the future of Namibia

In Moscow early yesterday morning, Mr Reagan and Mr Gorbachev had a brief final meeting before the US president flew to London.

"I would like to think that our efforts over the past few days have slayed a few dragons and advanced the struggle against the evils that threaten mankind, threats to peace and to liberty," he told the Soviet leader.

Mr Gorbachev told Mr Reagan that they had "come a long way" in the three years since their dialogue began.

"Our dialogue has not been easy but we mustered enough realism and political will to overcome obstacles and divert the train of US-Soviet relations from a dangerous track to a safer one," he said.

● Mr Helmut Kohl, the West German Chancellor, will visit Moscow in the second half of October, while Mr Gorbachev will visit Bonn early next year, writes David Goodhart.

While it was already expected that Mr Kohl would go to Moscow in the autumn, yesterday's announcement was a new indication of the thaw in relations between the Soviet Union and West Germany.

World Weather

[illegible]

Yugoslavia price reforms

Continued from Page 1

wages than already anticipated under the IMF programme.

● The arrest earlier this week of a prominent activist in the officially sponsored youth organisation of Slovenia has prompted a wave of protests from liberal groups.

Mr Janez Jansa was detained on suspicion of possessing and disclosing military secrets, and a military prosecutor is due to decide shortly whether or not to indict him.

He is one of four candidates for the presidency of the Slovenian branch of the Socialist Youth Alliance, which alleged through its newspaper recently that the army had plans to crush liberal trends in the northern republic through mass detentions.

Mr Jansa has been in the forefront of the "Slovenian spring," a movement critical of Yugoslavia's military, its political system and its arms exports.

Mr Milovan Djilas, once a member of the Yugoslav leadership and now its best known dissident, was due last night to give his first public lecture since he was purged 35 years ago, at a student centre in the town of Maribor.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday June 3 1988

PROXY BATTLE OUTCOME COULD FORCE SALE OF 14.8% STAKE IN BELEAGUERED OIL GROUP

Icahn may withdraw Texaco bid

BY ANATOLE KALETSKY IN NEW YORK

MR CARL ICAHN, the Wall Street investor who has announced a bitterly contested $14.5bn takeover bid for Texaco, said yesterday he would withdraw his offer and rapidly move to sell his 14.8 per cent stake in the oil company if shareholders failed to support his proxy fight against Texaco's management.

He added that the outcome of the proxy battle was not a foregone conclusion. The recent heavy trading in Texaco shares had led some analysts to conclude that much of the company's stock was now in the hands of arbitrageurs and other short-term operators, who were bound to back Mr Icahn.

But he himself denied this: "Unfortunately only a very small percentage of the stock is in the arbitrage community and many of the arbs bought in after the record date for the proxy vote," Mr Icahn said in a telephone interview yesterday.

If his slate of five directors was elected to the company's board at the forthcoming annual general meeting, Mr Icahn pledged to continue his $60 a share bid for as long as necessary to ensure that the terms of the offer were presented to a shareholder vote. He also held out the prospect of a still better offer if his directors were elected.

"While I would be happy to buy the company for $60, I am convinced that there will be other bids coming forward," Mr Icahn said. He added that he had received approaches from third parties concerning both the sale of important Texaco assets and full-scale bids for the whole company.

While Mr Icahn insisted that he intended to win the forthcoming proxy fight, he said he had considered the alternative and had received several approaches from investment bankers regarding a public offering of his Texaco stake, currently wortb $1.8bn.

He warned that any such sale might be below the present market prices of about $50 a share. He said the average price of his position was $34 a share. By selling out at a price of around $45 he could secure a profit of $350m.

Mr Icahn also repeated his claim that he would have "no problem" financing his bid. He could raise the money on the basis of Texaco's immense cash-flow alone. There would be "no reason" to sell or pledge his 11 per cent stake in USX, the steel and energy conglomerate, Mr Icahn insisted.

Ross Perot to advise US postal service

By Roderick Oram in New York

MR ROSS PEROT, the Texas corporate maverick who tried to turn around the massive hureancracy of General Motors, has been tapped for an even greater challenge – to revamp the US Postal Service.

Mr Anthony Frank, the newly-installed Postmaster General, said yesterday Mr Perot would set up a new company to advise the service on the full range of its operations, including its troubled labour relations.

Mr Perot has already hired some senior executives from the government department of Electronic Data Syatems, the computer services company he founded in 1962 hut sold to General Motors in 1984 for $2.5bn.

The Dallas billionaire had a short and acrimonious term on the GM board during which he tried to bring EDS-style management to the world's largest company. After bitter clashes with the entrenched GM management, the car maker bought out Mr Perot and his top associates for $742m in December 1986.

Under terms of his divorce from GM, Mr Perot was barred from recruiting staff of EDS, which remains a GM subsidiary, until the day before yesterday.

He is also prohibited from for-profit competition against EDS until December 1989. It is thought he will circumvent the restriction hy setting np his company, Perot Systems Corporation, as a non-profit charitable organisation.

Mr Perot's new task takes him back to his roots in the compnter service industry. Much of EDS's success came from contracts to computerise systems in government agencies like the Department of Health and Welfare and the Department of Defence.

Burlington Northern spins off resource subsidiaries

BY RODERICK ORAM IN NEW YORK

BURLINGTON NORTHERN, the Seattle-based railroad company, is to spin off its natural resource subsidiaries into a new company, Burlington Resources, in which public shareholders will be offered a 13 per cent stake.

The parent intends to sell 20m shares in the new company at between $25 and $28 each for a total of $500m-$560m, making it ons of the larger new public offerings of the year. Shearson Lehman Hutton and Morgan Stanley will underwrite the issue.

Burlington said it also hoped to distrihute its remaining 87 per cent stake in Burlington Resources to existing Burlington Northern shareholders no earlier than mid-December. The distrihution will depend on an Internal Revenue Service ruling that the shares would be tax-free and on market and economic conditions.

The spin-off marks a restructuring of Burlington Northern which had been long expected by Wall Street. Analysts consider many of its assets are underutilised, making it vulnerahle to a takcover. No firm offers have emerged, however, partly because of the difficulties the company or a new owner face in changing restrictive work practices and high labour rates on its railroad system. Mr Richard Bressler, chairman, has referred in the past to the railroad as Burlington's poison pill.

Burlington Northern said yesterday that the spin-off of its natural resonrces operations will enhance shareholder value, improve access to financial markets at lower costs and enable Bnrlington Resources to "compete and expand more effectively" in its markets.

The new company will include Meridian Oil, a leading independent domestic oil and gas company; El Paso Natural Gas, owner and operator of a 22,000-mile natural gas transmission system; Plum Creek Timher; Meridian Minerals, a coal and minerals miner; and Glacier Park, a real estate company.

The operations had net profits of $58m on revenues of $688m in the three months ended March 31 and $231m on $2.37bn for all of last year. As part of the spin-off, El Paso is proposing to regulators a settlement of "take-or-pay" disputes on natural gas contracts. If approved, the plan would result in a $230m pre-tax charge to Burlington Resource's 1988 results.

Proceeds from the offering will he added to Burlington Resources' working capital and will be used for general corporate purposes. Last year Burlington Northern earned net profits of $369.3m or $4.93 a share on sales of $6.62bn.

LIG plan to sell Royal Worcester china unit

By David Waller in London

LONDON International Group, the UK's largest manufacturer of condoms, is seeking a buyer for Royal Worcester Spode, the UK's third biggest fine bone china company after Royal Doulton and Wedgwood.

LIG, which bought the company in 1984 for £18m ($32.7m), said yesterday that Royal Worcester could no longer be considered a core business in the light of soaring demand for condoms and surgical gloves.

LIG originally intended to use Royal Worcester as a base for international expansion in fine china, and attempted to consolidate its position with a £150m bid for Wedgwood in 1986.

The bid was blocked by a reference to the Monopolies and Mergers Commission and Wedgwood was bought by Waterford Glass, the Irish company. Since then, Royal Worcester has experienced a deterioration in trading conditions.

Yesterday, LIG said that Royal Worcester made a loss of £1.2m in the year to the end of March, a period for which LIG as a whole is expected to report pre-tax profits of around £33m. In the previous year, Royal Worcester's profits fell from £3.6m to £1.5m.

Mr Alan Woltz, LIG's chairman and chief executive, blamed last year's downturn on a combination of reorganisation costs and a fall-off in sales due to reduced levels of US visitors to the UK.

Mr Woltz said that he had received a large number of informal approaches for Royal Worcester from the moment that the bid for Wedgwood was blocked. S.G.Warburg, the London merchant bank, has been retained to conduct the auction.

LIG's Durex brand commands 97 per cent of the UK market for condoms, and in September last year bought HATU-ICO, Italy's leading condom maker, for L103bn ($81m). Orders for both condoms and rubber gloves have risen rapidly on the back of fears about an AIDS epidemic.

Emess acts to snatch Holophane control

BY CLAY HARRIS AND GEORGE GRAHAM

EMESS, the UK lighting fixtures and electrical accessories company, appeared yesterday to have snatched control of Holophane, the French lighting and glass group, from the grasp of its much larger British rival, Thorn EMI.

It unveiled a FFr793.5m ($136.8m) offer for Holophane and the 13 per cent interest in the French group's Europhane subsidiary held by outsiders and said it had received irrevocable acceptances for 57 per cent of Holophane's shares.

The new offer tops Thorn's FFr649m bid for the two by 22 per cent. That bid was recommended by the Holophane board last month. Thorn, which has bought 1.4 per cent of Holophane shares in the market, said yesterday it was considering its options.

Mr Michael Meyer, Emess chairman, found a suitably Gallic cultural reference to describe his company's coup. "Credit Commercial de France, our French bankers, called this transaction the Asterix syndrome with Thorn as the Roman legions," he said.

For both UK companies, the primary attraction is Europhane, the second largest French manufacturer of lighting fixtures and the world's third largest maker of airfield lighting.

Emess linked the proposed acquisition directly to the European Community's planned creation of a free internal market by 1992. So far, its biggest investment on the Continent has been the purchase of a 24 per cent stake in Brillantleuchten, a West German lighting company.

In addition to opportunities for co-operative design and marketing, Emess planned to develop Europhane's French manufacturing facilities as a supply source for the enlarged group, Mr Meyer said. The purchase would also give Emess a presence in Belgium and Italy.

Holophane's change of mind reflected management qualms about becoming part of Thorn. Mr Aimery de St Mars, chairman, said the new offer was not only higher than Thorn's but allowed his company to join a group which resembled it more closely in size and structure.

The Holophane group reported pre-tax profits of FFr80m on sales of FFr721m last year. This is slightly larger than the £7.71m ($13.8m) profits on sales of £65.2m reported by Emess, although the latter subsequently expanded through the £30m acquisition of Alsy, a US lamps manufacturer.

By comparison, Thorn's stockbroker, Warburg Securities, estimates that the group's lighting division alone achieved trading profits of £22m on turnover of £270m – about half of it outside the UK – in the year to March 31. Lighting, moreover, accounts for only 10 per cent of total group sales.

Mr de St Mars denied that Holophane management had become worried that Thorn might shed some of its activities, such as the parent company's headlamp glass production which accounts for 70 per cent of the French market.

Indeed, Emess made clear yesterday that such a disposal was possible if its offer succeeded. Mr Meyer said Holophane management would participate in the decision if Emess decided to sell.

Last year Emess sold Fraser & Glass, a plastic motor components manufacturer, less than five months after it joined the group as part of Tenby Industries.

Strong advance at Bear Stearns

By Our New York Staff

BEAR STEARNS, the big Wall Street brokerage house which was among the major losers in the last October's stock market crash, enjoyed a substantial recovery in profits and revenues in its latest quarter.

Net income in the three months to April 30, the last quarter of Bear Stearns' fiscal year, was $57.7m or 65 cents a share, 29 per cent up on the $44.7m or 51 cents reported a year ago. Gross quarterly revenues increased by 11 per cent to $516.1m.

Stearns noted, however, that the last quarter's result included "the profitable sale of an investment asset and the settlement of several pending lawsuits."

The company would not give further information on the nature of either of these items or quantify their impact on the quarter's results.

But it did note that the lawsuits settled did not include the litigation against Jardine Strategic Holdings, the Hong Kong financial conglomerate which offered to buy a stake in Bear Stearns just before October's crash and subsequently withdrew its proposal.

For fiscal 1987 as a whole Bear Stearns' net income fell by 17 per cent to $142.9m or $1.56 a share, although gross revenues increased by 6 per cent to $1.9bn.

The company's net income in the third quarter of the fiscal year showed a decline of 58 per cent, while in the second quarter crash-related problems sent income plummetting by 99 per cent to $413,000.

Canadian Imperial Bank posts 37% advance in second-quarter

BY DAVID OWEN IN TORONTO

CANADIAN IMPERIAL Bank of Commerce yesterday reported a 37 per cent increase in second-quarter earnings, completing a mixed first-half performance for the country's Big Six chartered banks.

In all, aggregate net income for the six months ended April 30, edged up just 4 per cent from a restated year-ago figure to C$1.41bn (US$1.15bn).

Individual bank results ranged widely, however, from CIBC's 34 per cent year-on-year first-half profit increase to Bank of Montreal's equivalent 34 per cent earnings decline.

Increased provisions for possible less developed country (LDC) loan losses continne to eat into income.

Individual bank reserves now range between 37 and 42 per cent of exposure, with CIBC and Toronto-Dominion (still the industry profit leader) at the top of the pile and National Bank of Canada at the bottom.

In the full year ended October 31 1987, all but one bank incurred sizeable net losses due to more than C$1hn of third-quarter charges related to higher loss provisions.

In the latest period, CIBC – the second largest Canadian chartered bank – earned C$127.4m or 73 cents a share, against C$92.7m (59 cents) in the second quarter of 1987.

Profit for the first six months totalled C$277.9m (C$1.60 a share), against C$206.9m (C$1.34) a year ago. The bank's strong performance has resulted in a 2 cent per share dividend rise to 29 cents.

The second-quarter figures came despite the bank's addition of a further C$153m to its loan loss provisions. The bank is to augment this reserve from 42 to 45 per cent of exposure by its fiscal year-end.

Also included in second-qnarter income is C$47m in past due interest from Brazil.

The bank said improved net interest income and non-interest revenue, together with low loan losses produced 18 per cent of additional income.

Non-accrual loans fell sharply to an end-April level of C$1.7 bn – a drop of C$500m since October 31.

De Laurentiis hit by heavy write-downs

BY OUR NEW YORK STAFF

DE LAURENTIIS Entertainment Group, the film-maker floated two years ago by Mr Dino De Laurentiis, the Hollywood producer, expects to report a negative net worth of $22m for the year ended February 29 because of charges including heavy write-downs on abandoned projects.

The company estimated its losses at $34m in the fourth quarter and $69m in the year, principally because revenues were insufficient to cover its operating costs plus about $20.6m of write-downs.

Its shares, which were offered to the public at $12 each in May 1986, were unchanged yesterday at $¾, reflecting investors' long standing disenchantment with the troubled company, which has been in the red for sometime.

The charges cover a number of unreleased films such as Illegally Yours, Bill and Ted's Excellent Adventure and Traxx plus Noble House, a television series based on the James Clavell novel, which was released to lukewarm reviews.

As a result of the continuing losses, the company has breached covenants on its bank revolving line of credit.

Although Mr De Laurentiis was the producer of blockbusters such as the remake of King Kong, his company has suffered a series of spectacular film flops in the past few years.

Fresh shake-up at RJR Nabisco

By Anatole Kaletsky in New York

RJR NABISCO, the big Atlanta-based tobacco and food manufacturing group, has announced its second managerial reorganisation in two months, breaking up its Nabisco Brands food unit into four "relatively autonomous free-standing operating companies."

Seabrook partner to seek withdrawal

BY OUR NEW YORK STAFF

A PARTNER in the Seabrook nuclear power plant in New England wants to negotiate its withdrawal from the deeply troubled project and may sue to recover its $875m investment.

Massachusetts Municipal Wholesale Electric, which has an 11.59 per cent stake, adopted the withdrawal plan "after taking a hard look at the growing costs and uncertain benefits and watching the obstacles to plant licencing grow almost daily," Mr George Leary, the utility's chairman, said yesterday.

The decision comes less than a week after Long Island Lighting Company, a utility near New York State under which it would abandon its $5.3bn Shoreham nuclear power plant, which has never been used.

The Seabrook plant is nearing completion and the builders are trying to get an operating licence for it. One of the obstacles is public opposition to the owners' evacuation plans in the event of a nuclear accident, the issue which ultimately killed Shoreham.

The cost of Seabrook, like those of other nuclear plants, has escalated rapidly during construction. It forced Public Service of New Hampshire, a 35.6 per cent partner in its building consortium, into bankruptcy in January.

IBM launches new attack in PC battle

BY ALAN CANE IN LONDON AND LOUISE KEHOE IN SAN MATEO

INTERNATIONAL Businesa Machines, the world's largest computer maker, yesterday announced the fastest desk-top computer it has ever developed.

Labelled the PS/2 Model 70-386, it features an internal clock thet "ticks" 25,000 times a second. IBM claims it runs 50 per cent faster in executing programs than its existing top-of-the-range machine, the Model 80.

It was one of seven new models launched in a package of announcements designed to regain for IBM the initiative in the increasingly fiercely contested personal computer market that it once dominated. In recent years its market lead has been undermined by manufacturers of lower priced "clones" (functional copies) while other manufacturers, notably Compaq Computer of the US, have developed machines featuring superior technology. According to independent testers, Compaq's Deskpro 386 is at least a third faster than the fastest IBM Model 80.

The new IBM model 70 machines are notable for being of desk-top design. Previous high-end IBM personal computers have been cased in a cabinet which sat beside the user's desk.

IBM may have taken a lead in the PC speed stakes, but it may be short lived. Compaq is expected to announce a new machine later this month which will again give it the advantage.

Among the other announcements in IBM's package were a low-priced workstation based on its low-end Model 25 which incorporates proprietary electronics (the IBM token ring system) enabling a number of the machines to he counected together in a network, and a desktop scanning unit (£1,544) for converting images and docnments into a form in which they can be stored and manipulated within a personal computer.

Prices for the new Model 70s range from £3,702 ($6,737) to £5,689 excluding keyboard and video screen; a new version of the Model 80 costs $62,397. Prices on the existing PS/2 Model 60 and 80 have been cut by 5 to 18 per cent.

Industry analysts yesterday agreeed that IBM was seeking to regain lost ground in the high and of the personal computer market with its new products. Market researchers suggest that Compaq Computer currently holds a commanding lead in this key market segment with 65 per cent of US dealer sales in the first quarter of the year compared to 25 per cent for IBM.

While the figures ignore IBM's substantial direct sales to large corporate customers, Compaq is still regarded as the sector leader.

These very high performance machines, based on Intel's 80386 microprocessor chip, blur the distiction between personal computers and computer "workstations," high-priced, high-powered machines that have traditionally been only the province of the engineer and scientist.

INTERNATIONAL COMPANIES AND FINANCE

David Dodwell examines Hay Davidson's report on the Hong Kong securities industry

A blueprint for the restoration of confidence

"WHAT Ian Hay Davison did yesterday is light the blue touch paper and retire smartly," said one senior Hong Kong government official who over the coming months has the unenviable task of translating a 400-page review of the shortcomings of the local securities industry into a package of reforms that will restore international confidence in its operations.

"It will be expecting rather too much to achieve complete chastity, but with luck we can achieve chastity at least over the weekends," he added.

Mr Hay Davison's securities industry inquiry, initiated by Hong Kong's colonial administration after the October stock market crash, has been six months in the making. Spawned out of scandal over a four-day closure of the stock market, and a HK$2bn rescue of the local futures exchange, it is intended to be the blueprint by which international confidence in the local securities industry can be rebuilt.

Supervisory bodies lost effective control

As such, while there will be careful attention given today to the detailed proposals of the report, the real questions now focus on how swiftly and emphatically the Government will implement reforms.

Mr Hay Davison said yesterday: "There is a very grave danger in delay," aware that numerous vested interests in the territory remain determined to block reform – no matter how scathing his criticisms may be of past practice in the securities industry. "This place is absolutely stuffed with vested interests," he observed, "and they can't be allowed free play."

The language of Mr Hay Davison's report is subdued, but his criticisms are none the less pungent: "The concept of self regulation and market self discipline had failed to develop," the report notes. "Equally unfortunate, the supervisory bodies charged with overseeing the markets had lost effective control."

On the Stock Exchange, the report argues: "An inside group treated the exchange as a private club rather than a public utility for the general benefit of members, investors and issuers. Its executive staff was ineffective, lacking adequate knowledge and experience to cope with the evolving and expanding securities industry, and insufficiently independent of the governing committee."

The 24-hour settlement system in force on the local exchange "had failed to function properly, and could not be expected to do so in the face of increasing volumes and internationalisation of the market."

The Futures Exchange, which collapsed so catastrophically in October, had been "built on shaky foundations, had confused lines of responsibility and had ineffective risk management."

The Securities Commission, the territory's stock market policeman, showed "an absence of direction" and played a "passive and reactive role." The report adds: "Repeated pleas for additional resources to cope with the rapidly developing markets had often been delayed or rejected by government."

Despite revenue from stamp duty on share transactions that amounted to HK$1.44bn in 1987, the government had refused to raise the annual budget of the Office of the Securities Commissioner beyond HK$13.4m.

Arising from these criticisms, the review groups recommendations into five areas:

● Fundamental revision of the internal constitution of both the Stock Exchange and the Futures Exchange is necessary, with proper representation on the ruling council given to corporate and lay members, as well as the individnal members who currently occupy all 21 of its seats.

Ian Hay Davison: 'There is a very grave danger in delay'

● A professional, independent executive is needed on both exchanges.

● The existing 24-hour settlement system for equity dealings must be replaced by a three-day settlement arrangement. A computerised central clearing system must be set up.

● The Futures Exchange should be retained, albeit with an improved risk management system, and e properly established guarantee backed by members of the Futures Exchange.

● A new statutory body should replace the existing regulatory authorities. This should be independent of the Government, be funded by the market, and have extensive reserve powers in case the exchanges "fall down on the job" of effective self-regulation.

In order to ensure the transformation of the stock exchange from a private club to a public utility, Mr Hay Davison recommends that corporate members in future be given at least four seats on the exchange's governing body, while "co-opted independents" should have five seats. The body should be non-profit-making, with the existing surplus, amounting to about HK$93m, being used to establish the new settlements system.

While the existing Stock Exchange committee constitutes a vested interest that is unlikely to support co-option of corporate and lay members, Mr Hay Davison insists there is an historic inevitability in this with which individual members must come to terms. Corporate members must be given seats to reflect the fact that they account for almost 60 per cent of daily stock market turnover, and because they account for a growing proportion of stock exchange membership.

From April 1986, when there were just eight corporate members of an exchange with 900 members, they have increased to a point where in April this year there were 98 corporate members out of e total of 762 – represeoting 209 of the 716 active seats on the exchange.

In order to speed the introduction of corporate and lay members – and to pre-empt blocking tactics by the existing exchange committee – the review recommends that the Government empowers the Securities Commission to amend the articles of association of the Stock Exchange committee. Mr Hay Davison informally admits that he sees such e move by the Government as a critically important litmus of its determination to push through internationally credible reforms.

Several recommendations for operational reform of the exchange are already in hand, largely because of the co-option of Mr Robert Fell to the exchange as its chief executive in the wake of the October crash. Procedures for listing new companies have been reformed, surveillance has been strengthened, and professional staff have been recruited. The exchange is for the first time keeping proper accounts.

Mr Hay Davison bucks potential criticism from international brokers by proposing that the current 24-hour settlament system be replaced by a strictly enforced three-day system.

International institutions have argued that settlement within fiva days is often impossible, but are being offered an olive branch in the form of proposals for stock lending to meet legitimate settlement needs. He argues that central clearing and settlement be built on a system of uncertified book entry transfers, rather than on a central depositary.

Radical reform of the Securities Commission has appeared inevitable ever since the October debacle. Mr Hay Davison complains that the current system "lacks structure, direction and resources" and that "crossed lines of communication and command" resulted in "neither the Government nor the commission firmly in the driving seat."

He talks of a commission that

System lacks structure, direction and resources

has been systematically starved of resources for more than a decade, equipped with "just two personal computers, three stock exchange screens, and no Reuter screen."

His proposal that a new authority be set up outside the civil service with a full-time professional staff may therefore be radical without meeting any serious opposition. Again, the speed at which the Government implements reform will be seen as a measure of reforming zeal – not least because just one of the four most senior officials at the commission in October remains in office today. Until a new regulatory body is set up, supervision of stock market activity will remain cursory.

"Since today, with the publication of Hay Davison's report, we have become lame ducks," said one senior official. "If we stay that way for long, we do it at our peril."

Indian cement group cuts size of rights to avert bid

BY R.C. MURTHY IN BOMBAY

ASSOCIATED Cement Companies has averted what it saw as a takeover threat by Mr Nusli Wadia, who heads Bombay Dyeing, a textile and chemicals conglomerate.

Mr N.A. Palkhivala, Associated Cament's chairman, said Mr Wadia applied to bny convertible debentures worth Rs75m ($5.7m). The board rejected this as well as two other applications, from Tata Chemicals and Mrs Roda Mistry, another individual investor, for a combined Rs175m.

The response to the Rs255.3m issue was poor, having attracted in the first mouth of its opening on April 11 only Rs30m from individual shareholders, Rs100m from government-owned financial institutions, which own 39 per cent of the group, and Rs50m from Mr Mahendra Swarup, a Calcutta-based industrialist.

JM Financial and Investment Consultancy, manager to the issue, secured Rs250m from corporate investors on the day of closure but made an application for debentures in the name of JM Financial to be transferred to the three rejected investors later. As a result, total subscriptions exceeded Rs430m.

Fears of a takeover prompted the Associated Cement board to reject all but one offer by corporate investors. The offer of Mr Swarup to invest Rs50m was accepted under certain conditions, which include granting first preferance to buyers approved by the board in case he wishes to sell the debentures.

Mr Palkhivala, a well-known jurist, alleged that the JM Financial application was improper. Mr Wadia vigorously protested this contention and emphasised that tha investment was purely for short-term gain and the method normal. He said there was no difference between his intentions and those of Mr Swarup.

As a result of the rejection, the rights issue emerged undersubscribed by Rs68.4m and the board decided to reduce the issue to Rs188.8m and close subscriptions.

Baloise plans expansion of Italian operations

BY JOHN WICKS IN ZURICH

BALOISE, the Swiss insurance group, is to carry out a substantial expansion of its Italian operations, adding an expected SFr320m ($221.7m) to premium income already forecast to rise 10 per cent to nearly SFr4bn.

The company is to acquire a majority stake in De Angeli Frua from Sasea, the Geneva-based holding company. After re-introduction of its shares to the Milan stock market and an increase in its capital to more than L350bn ($272.7m), De Angeli will be owned 53 per cent by Baloise with Sasea retaining a stake of 10 to 20 per cent.

De Angeli will then take over a holding of at least 26 per cent in Norditalia, e Milanese insurance company, which Baloise is to buy from Sasea at the end of this month. It will also act as holding company for Levante, a Genoa company in which Baloise last year acquired a 75 per cent stake, also from Sasea, and for the Baloise and Sasea shareholdings of 20 and 10 per cent respectively in the Rome company Tirrena.

Mr Luzius Gloor, Baloise general manager, said his company has an option to buy a majority stake in Tirrena should the controlling family wish to sell.

Last year, Norditalia booked premiums equivalent to SFr240m, Levante had a premium volume of SFr63m and Tirrena SFr800m.

Baloise earnings are expected to match or slightly exceed 1987 levels. The parent Baloise Holding has proposed an increased dividend for the 12 months to last April of SFr20 against SFr19 following a rise in net profits to SFr13.4m from SFr12.2m.

Big Japanese advertising agency boosts earnings

BY OUR FINANCIAL STAFF

DENTSU, the leading Japanese advertising agency which ranks as one of the world's largest, boosted pre-tax profits by nearly a quarter to reach Y19.17bn ($152.9m) in the year to March, up from Y15.42bn.

Revenues rose by 11.9 per cent to Y920.4bn in a period which the company said showed the benefits of the spur to domestic demand, leading to increased spending by its clients.

The strong profits performance came despite a 22.2 per cent contraction in revenne from international advertising to Y14.4bn because of appreciation in the yen.

A breakdown by medium shows that revenue from television commercials grew by 9.4 per cent overall to Y368bn – some 40 per cent of the total. Newspaper advertising brought in Y201.3bn, up by 10.6 per cent while revenue of the magazine sector was up by 15.5 per cent at Y39.8bn.

Parent company net earnings advanced by a third to Y7.17bn compared with Y5.37bn in 1986 – 7. Dentsu, which is unquoted, made no forecast for the current year.

INTERNATIONAL COMPANIES AND FINANCE

Télémécanique attempts buy-out to frustrate bid

BY PAUL BETTS IN PARIS

TELEMECANIQUE, the French industrial automation company, is attempting to put together a FFr8bn ($1.38bn) management buy-out in a last-ditch effort to frustrate a hostile takeover bid by the Schneider industrial group.

If successful, it would constitute the biggest buy-out in France. The Darty consumer electronics retailing group recently announced a FFr7bn buy-out while Moulinex, the kitchen equipment group, is also about to be taken over by its management.

Télémécanique's executives proposed the deal after Compagnie Générale d'Electricité (CGE), the French telecommunications and heavy engineering group, indicated this week it did not intend to engage in a new bidding battle with Schneider for Télémécanique.

Framatome, the French nuclear power plant manufacturer 40 per cent controlled by CGE, had emerged as Télémécanique's "white knight" against the hostile Schneider bid. But Mr Pierre Suard, the CGE chairman, said this week that he was opposed to Framatome increasing its current bid of FFr4,500 a share for Télémécanique to match the revised Schneider bid of FFr5,000 a share immediately or FFr5,500 in a year's time.

From the beginning, Télémécanique has attempted to block with unusual vigour Schneider's takeover bid. Its management now proposes the formation of a new holding company bringing together the company's management and employees and a number of institutional, financial and industrial partners. This holding company would acquire Télémécanique shares at a price of around FFr5,000 a share.

Company employees would immediately contribute about FFr1.2bn for the buy-out through the 10 per cent stake they already own in the company. The industrial and financial partners would be expected to contribute about twice that amount while the balance would be financed by bank lending.

Remy to sell wine retail chain

BY GEORGE GRAHAM IN PARIS

REMY-MARTIN, the leading French cognac house still in private hands, plans to sell control of Nicolas, its wine retailing chain, for FFr247m ($42.6m) to Castel Frères, the Bordeaux group which is already France's largest wine distributor.

Nicolas is France's only large specialised chain of wine and spirits shops with 287 outlets, mainly in the Paris region. Added to recent acquisitions such as Damoy and Compagnie Générale des Vins du Midi, Nicolas will take Castel's sales to around FFr3.1bn.

The sale does not include Nicolas's legendary stock of fine wines, nearly 2.5m bottles dating back to an 1811 vin d'Arbois, which has a book value of FFr240m but a considerably greater market price. This stock has been spun off into a separate company, La Grande Cave, to be controlled by Remy et Associes, the champagne and distribution subsidiary of Remy-Martin.

Mr Marc Heriard-Dubreuil, the chairman of Remy-Martin, said the sale of the Nicolas chain completed a FFr300m programme of asset sales, including some wine stocks and an Australian vineyard. In conjunction with the SFr175m ($122m) issue of convertible bonds by Remy et Associes, just completed, the disposals put around FFr1bn at Remy's disposal.

The conversion of these bonds will eventually open as much as 32 per cent of Remy et Associes' capital to the public, the first time the group's equity has been opened in this way. An eventual listing, possibly on a Swiss bourse, has not been ruled out.

Mr Francois Heriard-Dubreuil, his brother and chairman of Remy et Associes – the two will swap places next month – said the company was not in principle looking for acquisitions but wanted to form alliances which might require capital injections. The company is not a well-known private one and doubts over it's capacity to raise funds had in the past proved a handicap.

GBL seeks to expand in West Germany

BY TIM DICKSON IN BRUSSELS

GROUPE BRUXELLES Lambert (GBL), the leading Belgian holding company headed by Mr Albert Frere, indicated yesterday that it sees lucrative opportunities for the development of its media and audio visual interests in West Germany.

At a meeting for analysts yesterday, Mr Jacques Moulaert, one of the company's managing directors, pointed out that investors generally seemed more excited about prospects for the industry in France.

Mr Moulaert, however, emphasised that Compagnie Luxembourgeois de Télédiffusion (CLT), in which GBL has a controlling stake through its 55 per cent participation in Audiofina, enjoyed "an important opening towards Germany" which was "a much bigger market than France."

Yesterday's meeting was seen by local analysts as a sign of a more open attitude from a company which has kept a low profile in the last few years. The main problem has been the shadow cast over the group's share price by the insider dealing investigations into Drexel, Burnham Lambert, the New York investment bank in which GBL has a 30 per cent stake.

On the battle earlier this year for Société Générale de Belgique, the other big Belgian holding company, Mr Frere said the decision of Royale Belge (23 per cent owned by GBL) to sell its SGB stake to Luxembourg interests (and hence to the camp friendly to the board) had pleased the Brussels financial community.

Benettons and Pru to relaunch venture

By Alan Friedman in Milan

THE BENETTON family, the majority shareholder of the eponymous Italian clothing company, has agreed with Prudential, one of Britain's leading insurance concerns, to recapitalise and relaunch Prudential Assicurazione, the joint insurance venture owned by the two groups.

A total of L30bn ($23.3m) is to be injected into the Italian insurance company in a move that Mr Aldo Palmeri, managing director of Benetton, last night described as "an important turning point in our drive to develop the life insurance business in Italy."

The Benetton family's 50 per cent stake in Prudential Assicurazione is held through Inholding, the family's financial services business.

Inholding, which was launched last year, is separate from the Benetton clothing business despite the fact that it has been presented in the past as a diversification for the Benetton group.

Benetton stressed that the recapitalisation is not a desperately needed measure but a move designed to lay the groundwork for an important expansion into the life insurance area.

Benetton said the total reserves of Prudential Assicurazione amounted to L151bn at the end of 1987, against premiums of L118bn.

Italy is Europe's third largest insurance market and is considered a prime area for growth.

Hoesch buys shock absorber maker

HOESCH, the West German steel and engineering group, plans to acquire August Bilstein, a producer of car shock absorbers, writes our financial staff.

Bilstein, a family-owned company which also makes mechanical car lifting jacks and tow-away cranes, had sales of Dm200m ($117m) last year and employs 1,550 people. Hoesch already supplies a wide range of products to the motor industry.

AMB lifts profit and sees further advance

BY HAIG SIMONIAN IN AACHEN

AACHENER und Münchener Beteiligungs (AMB), the holding company for West Germany's fifth largest insurance group, which is 20 per cent owned by Royal Insurance of the UK, raised after-tax profits to DM89.4m ($52.2m) last year from DM44.9m in 1986.

A further increase is likely this year thanks to buoyant income from interest and securities, said Mr Helmut Gies, the chief executive.

The jump in 1987 profits stemmed largely from the first-time inclusion of earnings for Bank für Gemeinwirtschaft (BfG), bought from the country's trade union movement last year. AMB, which launched a DM1.8bn rights issue in 1987 to finance the deal, is paying an unchanged dividend of DM12.50 on its expanded share capital.

Partial operating profits at BfG, which will report more fully later this month, went up slightly in 1987 thanks to increases in both interest and fee business.

Full operating profits, which include gains from the bank's trading on its own account, were not disclosed, but it had "again earned well," according to Mr Gies. Total group assets rose to DM59.3bn.

Profits for the first quarter had further improved, while costs had been cut as part of the bank's programme to rationalise its regional head offices, he said.

On the insurance side, group premiums climbed 8.5 per cent to DM 4.85bn.

Aachener und Münchener Versicherung, the primary insurer, raised premium income by 3.6 per cent to DM1.2bn, and expects a further increase of about 5 per cent this year.

Premiums at Aachener und Muenchener Lebensversicherung, the group's life insurance subsidiary, climbed by just over 10 per cent to DM1.1bn.

In the first four months of this year, there had been a further 9 per cent increase.

Developing links between the insurance and banking sides remains one of AMB's priorities, as does expanding more widely into services.

Solvay makes $100m on sale of CCPC stock

BY OUR BRUSSELS STAFF

SOLVAY, THE leading Belgian chemicals company, said yesterday it had made a $100m profit on the sale of its preference stock in Corpus Christi Petrochemical Company (CCPC), the Texas-based concern the cracker plants of which produce ethylene and propylene.

Solvay used to be a 25 per cent partner in CCPC with ICI and Champlin Petroleum, which each controlled a 37½ per cent stake. Last July, however, the three shareholders decided to sell the business for an undisclosed price to Cain Chemical, at which point Solvay acquired its preference stock "as a guarantee of future supplies" for a price of $15m.

Yesterday's $115m deal follows the purchase of Cain by Occidental Petroleum and the latter's eagerness to own all the shares in CCPC. Solvay said last night that the company had ethylene and propylene contracts which would last the original five-year term until 1992.

Carlsberg beer sales rise

BY HILARY BARNES IN COPENHAGEN

CARLSBERG, the Danish brewery group, reports a strong rise in beer sales outside Denmark in the half-year ended March 1988. Sales volume rose by 9 per cent and most foreign breweries reported improved profits with the exception of the loss-making Spanish unit.

Group sales were up by 11 per cent to DKr4.51bn ($689m), with about half of the increase arising from acquisitions. Earnings before extraordinary items were up by 15 per cent to DKr425m. The group expects pre-tax profits for the year as a whole to be broadly maintained.

INTL. COMPANIES AND FINANCE

Ludwig Schwarz acquired by Premier Brands of UK

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR, IN LONDON

LUDWIG SCHWARZ of West Germany, the largest contract tea packer in continental Europa, has been bought by Premier Brands, tha fast-growing UK tea, jam and biscuits group.

The price was not disclosed but Mr Paul Judge, Premier chairman, said yesterday that the deal – the tenth since his company was established two years ago – brought total outlay on acquisitions to about £60m ($108m).

Schwarz packs own-label tea for all the leading multiple retailers in West Germany, and claims to account for 25 per cent of the local market. Sales last year were $36m, including a contribution from exports to Scandinavia and Benelux.

As well as strengthening Premier's position in Europe, the acquisition would also help the company to penetrate European markets with its other products such as Cadbury's brand chocolate biscuits, Ridgways tea and Chivers and Hartley's jams.

It already sells about 1,000 tonnes of Chivers marmalade a year in Germany.

Premier, which plans a London Stock Exchange flotation next year, bought a similar business in Italy in 1987, and now has six tea factories.

It was formed in May, 1986 through a £97m management buy-out of the food and drinks division of Cadbury Schweppes. Sales are about £350m a year and trading profit last year rose 51 per cent to £24.9m.

Deutsche Shell earnings hit by losses in refining sector

BY OUR FINANCIAL STAFF

DEUTSCHE SHELL, West Germany's largest oil company, has reported a 38% drop in income to DM245.8m ($143m) against DM397.3m a year earlier.

The company, a unit of the Royal Dutch/Shell group, blamed mounting losses in the refining sector for the fall. It said lower crude oil prices and steeper competition for refined products, such as heating oil and gasoline, had taken a 10 per cent bite of out Deutsche Shell's sales. Last year, sales dropped to DM15.85bn from DM17.62bn in 1986.

Mr Kornelius Herkströter, chairman, said operating incoma had slipped to a loss of DM1.61 per tonne of product from a gain of DM47.59 in 1986. The companies activities in the oil sector ended the year with a DM214m loss.

Mr Herkströter said the worsening outlook for the refining business in West Germany was further complicated by government plans to raise consumer taxes on heating oil.

Deutsche Shell continued to book losses in the three months of this year as domestic demand for refined products stagnated and the company faced more severe competition from refiners in other European Community countries.

Mr Herkströter, who is soon to move to Royal Dutch/Shell's headquarters in The Hague as regional co-ordinator for Europe, declined to say whether the company was considering closing its two refineries in Godorf and Harburg.

McGraw-Hill sells Japanese venture stake

By Roderick Oram in New York

MCGRAW-HILL, the US publisher of textbooks and magazines such as BusinessWeek, has sold its 49 per cent stake in a Japanese joint venture for $283m, which will mean an extraordinary gain of $224m, or $112m after tax.

Its interest in Nikkei/McGraw Hill was bought by its partner, Nihon Kezai Shimbun, whose publications include one of Japan's leading business newspapers. The venture publishes in Japanese 16 magazines, six newsletters and other information services. McGraw said the stake was sold because it did not fit the company's strategy of developing products which could be sold worldwide.

Japanese city banks post strong advance

JAPANS'S 13 city, or commercial, banks have reported an average *pre-tax profits rise of 36.8 per cent* for the year to March, as the table below shows. Hefty gains on securities sales, reduced fundraising costs and asset growth were reponsible for the better *results*

JAPANESE COMMERCIAL BANKS

	Pre-tax profit Ybn	%	Banking profit Ybn	%	Int'l revenue Ybn	%
Dai-Ichi Kangyo	295.2	+43.3	173.4	+8.1	74.3	+12.8
Sumitomo	288.6	+59.3	174.0	−1.7	105.2	+27.8
Mitsubishi	282.3	+45.5	156.1	+5.0	57.2	+6.1
Fuji	284.2	+29.8	200.0	+5.2	91.3	+3.2
Sanwa	264.4	+45.7	180.1	+15.4	84.4	+2.5
Mitsui	170.9	+18.0	159.1	+68.6	75.3	+36.9
Tokai	154.0	+50.0	117.7	+39.7	44.7	+5.1
Taiyo Kobe	88.6	+20.3	57.3	+20.1	27.5	−4.9
Bank of Tokyo	88.1	+7.4	76.0	−3.8	159.0	+9.3
Kyowa	71.2	+18.7	33.7	+24.7	17.4	−14.2
Saitama	53.0	+7.2	41.2	−9.5	18.4	−7.0
Daiwa	83.2	+51.2	77.7	+37.1	19.9	−12.5
Hokkaido Takushoku	35.1	+9.0	15.7	−42.9	10.8	−39.3

Parent company results, year to March 1988, ranked by revenue. Banking profit is before securities gains/losses

BASF to invest $49m in British ink facilities

By Terry Dodsworth, Industrial Editor, in London

BASF, the West German chemicals group, is to invest £27.5m ($49.5m) in its UK printing ink activities as part of a reorganisation which includes development of a new plant at Slinfold, near Horsham in Suffolk.

The move will involve closing the group's Watford ink plant when its lease expires at the end of 1990. About 240 people ere employed at Watford, and although BASF would not say what the net effect on jobs would be, it indicated that some of the existing workforce would ha offered alternative employment at Slinfold.

Mr Geoffrey Watson, managing director of BASF Coatings and Inks in the UK, said yesterday that the main bulk of the investment, amounting to more than £20m, would be in a new oil ink plant on the Slinfold site.

The company will be expanding its facility at Huyton, near Liverpool, to convert it to liquid ink production only.

Mr Watson said the investment was a clear sign that BASF was committed to the ink business world wide and in Britain.

Statoil earnings slide despite rise in oil sales

By Karen Fossli in Oslo

STATOIL, the troubled Norwegian state-owned oil company, has suffered a downturn in its first quarter results to achieve NKr1.443bn ($230m) before adjustments, against NKr2.479bn in the same period last year.

Mr Willy Olsen, a Statoil official, blamed the downturn on weak oil prices and low exchange rates for the dollar, despite a 19 per cent increase to 7.5m cubic metres in sales volumes for oil.

The average oil price in the first quarter was about $16 ar barrel compared to an average of $18.50 in the same period in 1987.

Mr Olsen also said low refinery margins in Denmark and Sweden had contributed to the decline in its first quarter results although Petrochemicals had achieved better results in the quarter

During the period Statoil brought the Gullsaks B Platform on stream.

IBM Credit dollar issue the highlight of the day

BY PHILIP COGGAN

A $250m Eurodollar bond from **IBM Credit Corporation** was the highlight of a day which saw many investors waiting for today's US employment figures and some European centres closed for religious holidays.

There has been a relative scarcity of straight dollar bond issues in the Euromarket recently, because of the difficulty of arranging swaps and because the US domestic market has been offering more competitive rates for issuers. However, yesterday's two offers were not awarded a tumultuous reception by the market.

IBM has a reputation for issuing when rates are low and this bond was perceived as being fairly tightly priced, at a time when this week's strength in the US Treasury market has led to a widening of the Eurodollar market's yield premium over US government issues.

CSFB priced the three-year issue, which carried a 8⅝ per cent coupon at 101.15, indicating a yield of 27 basis points over the equivalent US Treasury. By the close, the issue was trading in the grey market at less 1.65/1.55, outside the 1⅞ fees.

There was also a lukewarm reception for the day's other dollar straight from Yasuda Trust and Finance (Hong Kong), guaranteed by its parent Yasuda Trust and Banking. Yasuda is not one of the best known Japanese banking names and the issue ended the day's trading at less 2 bid. The coupon on the five-year $150m deal was 9⅝ per cent and the price 101⅜, giving a spread of 62 basis points over Treasuries. Unusually for a Japanese bank issue, the lead manager was a US house, Goldman Sachs International.

INTERNATIONAL BONDS

Dollar bonds generally lost a little of their recent gains but the markets were fairly quiet with little evidence of significant retail activity. And the news of the half point rise in UK base rates did little to encourage the long end of the Eurosterling market which had already discounted the news.

The Swiss market traded slightly stronger with prices up around ¼ point. There was a good reception to the Maxwell Communication Corporation seven-year $150m straight which ended its first day trading at the issue price of 101. However, the Banque Francaise du Commerce Exterieur 10-year SFr 200m issue ended its first day's trading at 97¾, against the 101¼ issue price.

Although there were no new issues in the Swiss market, Bank Julius Baer cut the coupon on its SFr30m deal for Takasago International from the indicated 1¼ per cent to ⅞ per cent. In the Euroguilder sector, CSFB Netherlands produced a Fl 200m five-year deal for Olivetti International with a 6 per cent coupon and an issue price of 101⅛.

There were two issues in the Ecu sector. World Bank came out with a Ecu100m issue, managed by Bank of Tokyo Capital Markets. The five-year issue carries a coupon of 7⅝ per cent and is priced at 101⅝. Kredietbank NV launched a five-year Ecu60m deal for Chase Manhattan Corp, carrying a 7⅝ per cent coupon and priced at par. Repayment will be linked to the BFr/Ecu rate.

Halifax Building Society became the second of its ilk to venture into the Euroyen market following last week's Y10bn offer from Alliance & Leicester. Nomura lead-managed Halifax's five-year issue which raised Y20bn, carried a coupon of 5 per cent, and was priced at 101¼.

In the Japanese equity warrant market, Yamaichi International launched a $50m five-year deal for Daido Sanso, an industrial gas producer. The indicated coupon was 4¼ per cent and the bonds were issued at par. Yamaichi also fixed the terms on its $250m equity warrant issue for Showa Denko at 4⅛ per cent, against the indicated 4¼ per cent and Nikko also cut the coupon from 4¼ per cent to 4⅛ per cent on its $150m deal for Gunze, the clothing manufacturer.

Second Allied convertible from Bond

BOND CORPORATION made its second convertible issue in three months into the shares of Allied-Lyons, the food and drinks group, in which it has a 7 per cent stake.

The main purpose of the £100m 10-year issue is to reduce the cost of holding the stake. Like the earlier £125m issue, Bond will retain control over the Allied equity because it can repay investors in cash, rather than shares, when they exercise conversion rights.

Salomon Brothers International – which jointly lead-managed the first issue with Merrill Lynch – launched the issue, with Merrill Lynch International and Morgan Grenfell as co-lead managers. The bonds which were issued at par, carry a 6 per cent coupon and are callable after five years. The conversion price will be 485p per Allied share, a 10½ per cent premium at launch over the Allied share price.

The stock markets are frequently afflicted by rumours that Bond is planning to launch a bid for Allied – but Bond has said little more than it regards the stake as a "good investment". Allied has an exclusive contract to brew and distribute Bond's Castlemaine XXXX and Swan beers in the UK.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on June 2

US DOLLAR STRAIGHTS

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	93¼	93⅝	0	-1⅛	9.68
All Nippon Air 9⅝ 97	100	†94⅞	94⅞	+0⅛	+0⅛	10.30
American Brands 8¾ 92	150	97½	98⅛	+0⅛	-0⅛	9.54
A/S Eksportfinans 7⅝ 93	100	†93⅛	93⅞	+0⅛	+0⅛	9.12
A/S Eksportfinans 7⅛ 92	150	94½	95	+0⅛	+0⅛	8.98
Barc. Bk. Fin. 10⅛ 89	200	†102⅝	102⅞	+0⅛	+0⅛	8.46
Belgium 9⅛ 92	400	†99⅝	100⅛	+0⅛	+0⅛	9.14
British Telecom 7⅜ 96	250	88⅛	89⅛	+0½	+0⅛	9.61
Cal.Natl.Telecom 8½ 93	160	98⅛	98⅜	+0⅛	+0⅛	8.88
Canada 9 96	1000	97⅞	98⅛	-0⅛	-0⅛	9.34
Canadian Pac 10⅝ 93	100	†103⅛	104⅛	0	+0⅛	9.64
C.C.C.E 7⅛ 91	113	†94⅝	95⅛	+0⅛	+0⅛	8.91
C.N.C.A 7⅛ 91	150	94⅜	94⅞	+0⅛	0	9.11
Coca-Cola Ent. 8⅛ 90	100	†99⅛	99⅛	-0⅛	-0⅛	8.56
Credit Lyonnais 9 91	200	100⅝	100⅛	+0⅛	0	8.76
Credit National 8⅛ 93	200	96⅜	96⅞	+0½	+0⅛	9.13
Credit National 7⅝ 92	100	94½	95	+0⅛	+0⅛	9.02
Credit National 7⅛ 91	150	94⅛	95⅛	+0⅛	+0⅛	8.93
Denmark 7½ 92	500	93½	94⅛	+0⅛	+0⅛	9.15
E.E.C 7 91	100	94⅜	94⅞	+0⅛	0	8.82
E.E.C. 7⅛ 93	250	92⅞	93⅛	+0⅛	+0⅛	9.08
E.E.C 8⅛ 96	100	*†91⅛	91⅛	0	-0⅛	9.77
E.I.B. 7⅜ 93	100	93⅝	93⅛	+0⅛	+0⅛	9.18
E.I.B. 9⅛ 97	150	†98⅞	99⅛	+1	+0½	9.51
Elec. De France 9 98	200	†94⅜	95⅛	+0⅛	+0⅛	9.81
Finland 7⅞ 97	200	†89⅛	89⅜	+0⅛	+0½	9.71
Finland 7½ 93	200	93⅛	93⅝	+0⅛	+0⅛	9.12
Finn.Exp.Cd. 8½ 92	200	98⅛	98½	+0⅛	-0⅛	9.05
Ford Motor Credit 8 91	250	97⅛	98	0	+0⅛	8.97
Gen Elec Credit 10⅜ 00	200	101½	102	-0⅛	+0⅛	10.01
G.M.A.C. 8 89	250	99⅜	99½	0	0	8.62
G.M.A.C. 8⅛ 89	200	99½	100⅛	0	+0⅛	8.46
Hoesch 8⅛ 97	100	†91½	92⅛	+0⅛	+0⅛	9.60
Italy 9 90	1000	100⅛	101⅛	+0⅛	0	8.47
L.T.C.B. of Japan 8 91	100	97½	98⅛	+0⅛	+0⅛	8.72
L.T.C.B. of Japan 8 97	200	†88⅛	88⅜	+0⅛	+0⅛	10.04
Mercds-Benz Cd 8½ 95	100	95⅛	95½	+0⅛	+0⅛	9.39
Metropolis Tokyo 9½ 93	200	101⅛	101⅝	+0⅛	0	9.09
Morgan Guaranty Tst. 7 90	150	97⅜	97⅝	+0⅛	+0⅛	8.62
Norway 8⅛ 93	500	98⅛	99½	+0⅛	+0⅛	9.03
Pepsico Inc 7⅛ 93	200	†93⅛	93⅝	+0⅛	+0½	9.09
Portugal 8⅛ 91	300	97⅛	97⅝	+0⅛	+0⅛	9.28
Prudential Crp. 0⅛ 94	125	98½	99	+0⅛	0	9.01
Qantas Airways 10⅛ 95	140	103⅛	103⅜	+0½	+0½	9.69
Saab Scania 9½ 91	125	†103⅛	103⅞	+0⅛	+0⅛	7.93
Saskatchewan 10⅛ 92	100	104⅝	104⅞	+0⅛	0	9.21
State Bk S Aust 9⅛ 93	100	99½	100⅛	+0½	+0⅛	9.29
Swedish Expt.Crd.7¾ 91	100	†94⅛	94⅛	0	-0⅛	9.11
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change... On day [illegible] on week [illegible]

YEN STRAIGHTS

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change... On day -0.03 on week -0.08

CONVERTIBLE BONDS

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Dominique Jackson on the implications for the bond markets of a change in presidency

Dealers optimistic of better times to come

"PRESIDENT DUKAKIS" does not yet have a familiar enough ring to it to alarm the traditionally pro-Republican bond market unduly. However, as the Massachussets governor continues to post steady gains in the opinion polls, the prospect of a democratic victory in the US presidential election becomes less remote.

The implication of a Dukakis win for the US bond market, and thus by implication all global fixed-income markets, is a sensitive issue which is beginning to exercise international bond dealers, many of whom are now in Dallas for the annual meeting of the Association of International Bond Dealers.

There seems little doubt that the knee-jerk response to a democratic victory will be a bearish one. The markets have generally viewed Democrats, with their customary portfolio of social programmes and defence cuts, with suspicion. However, the new President will inherit a whole range of economic problems from President Reagan's Republican administration and whether, how, and when he will deal with them will be the market's key preoccupation – no matter which man finally arrives in the Oval Office.

A big obstacle to assessing the effects of the change in the presidency is that the bond market appears to be largely in the dark about the economic policies of both Mr Dukakis and of Republican candidate, Vice-President George Bush.

Neither has pledged any concrete measures to control the country's main economic bugbear – the colossal budget deficit which has undermined the US Treasury bond market to such an extent over the last two years, sending tremors through the Eurobond market and domestic bond markets all over the world.

"The real winner after this election will be Reagan," said analyst Mr Bill Griggs of Griggs & Santow. "He will get away scot-free while his successor inherits, not only the catastrophe of the deficit but an economy approaching full employment and all the upward pressure on interest rates and prices that implies."

Mr Bush, so closely connected to the administration under which the deficit grew to its present proportion, is unable to make any promises to deal with it. However, his recent assertions that he will not move to raise taxes have gained little credence.

"These promises are largely an attempt to gain political ground," said Mr Griggs, "the American people are resigned to the fact that redressing these economic problems is going to mean some degree of pain and no one seriously believes Bush."

Many people believe that former unsuccessful Democratic presidential candidate Mr Walter Mondale lost the election on his bald admission that he would increase taxes.

Michael Dukakis: refuses to commit himself on tax rises

Mr Dukakis is still playing for time by refusing to commit himself one way or the other. However, the governor faces a budgetary quandary in his home state of Massachussetts, which could force his hand on the taxation issue and possibly reduce his chances of reaching the White House.

Until now, Mr Dukakis has referred economic sceptics to his track record in his home state – the turnround he claims to have wrought in the Massachussetts economy, transforming it from recession into a thriving industrial base with a strategically vital high technology bias.

"Twelve years ago, this state was an economic and financial basket case – now it is referred to as the Massachussetts miracle," he proclaimed on a recent campaign tour.

Nevertheless, critics say government spending has risen by over 40 per cent under Dukakis and more cracks in the economic showcase appeared last week when the Massachussetts government revenue advisory board announced it was running a $485m dollar deficit.

Although most analysts agreed that the magnitude of the deficit is not critical, noting that it follows several years in which a surplus was shown, Mr Dukakis has already admitted that he may have to seek to enhance revenue. This is a barely disguised euphemism for a tax increase and the Massachussetts authorities already have a $110m dollar package in the pipeline, although no details of it have been released.

"The fact that the governor is on the campaign trail for the White House has thrown a spotlight on this state deficit. It would not normally have attracted so much attention," said political scientist Mr Ronald Ferguson, who has published a study of the Massachussetts miracle. "If he can resolve the situation successfully it could give him the boost he needs to overtake Bush."

If the detailed consequences of either President Bush or President Dukakis for the bond markets remain vague, dealers are optimistic that the end of the Reagan era could signal better times to come, although this will depend on how soon the new president is seen to be dealing with his troublesome economic legacy.

Many are hoping for an end to what one analyst dubbed "the redundant philosophising of the Reagan administration" and for a more pragmatic approach from the White House.

"For the bond markets, it is not so much who wins, but whether the victor can show the political will to stand above the bickering between the administration and Congress and get to work on cutting the deficit," said Mr Steve Slifer, market analyst for Shearson Lehman Hutton in New York.

Given this preference, Bush's links with the Reagan era currently appear to put him at a slight disadvantage, although Dukakis must still contend with Wall Street's traditional fierce anti-democrat stance.

Israel to refinance debt to US

By Andrew Whitley in Jerusalem

ISRAEL IS to refinance $5.5bn of high interest-bearing military debt to the US Government which will result in a series of unusual hybrid debt instruments being launched in the US capital market.

Approval was given this week by the Finance Ministry for the first tranche – provisionally fixed at $500m – to be issued within the next two to three months.

If all goes to plan, the programme is expected to save the Israeli Treasury $250m–$300m a year in interest payments. This reflects an expected reduction of about four percentage points on the old debt.

The unusual feature of the new bonds is that they will be in hybrid form, with US government guarantees for 90 per cent of their value and the Israeli government backing the remaining 10 per cent.

The principal underwriters for the issues will be Shearson Lehman Hutton and Salomon Brothers, the latter acting for an Israeli issue for the first time. Merrill Lynch, First Boston and Drexel Burnham Lambert will also underwrite the issues.

AIBD may be forced to call Trax meeting

By Dominique Jackson in Dallas

THE DISPUTE between the Association of International Bond Dealers and the two Eurobond clearing houses over computerised trade matching is almost certain to be brought up at the end of the association's annual meeting today, even though it is not on the formal agenda.

Delegates believe the AIBD board may be forced to consider calling an extraordinary meeting to examine the row, likely to be brought up under the "any other business" slot on the agenda.

The AIBD and the two clearers, Euro-clear and Cedel, are at loggerheads over the AIBD's Trax project which the clearers say will duplicate the services of their existing ACE trade confirmation system, generating costs which the market cannot afford.

Although the ACE-Trax row has dominated discussion until now, it failed to eclipse yesterday's key-note speech on the conference agenda given by former White House Chief of Staff and ex-Treasury Secretary, Mr Donald Regan, himself an erstwhile banker.

Mr Regan criticised what he called the current unreality of the stock and bond markets, where one set of US economic data could wipe 5 per cent off the value within hours.

He said programme trading had exacerbated last October's crash and was partly responsible for the current fragile state of the market. "Too many financial firms have allowed themselves to get hooked on new techniques and instruments like new toys, to the detriment of sound financial management."

He likened programme trading to gambling and urged a return to rational financial planning to restore public confidence in the markets. Failure to do this would mean unwelcome extra regulation from authorities with limited understanding of the way markets function.

SNB criticises bid defence ploy

BY WILLIAM DULLFORCE IN ZURICH

THE SWISS National Bank (SNB) yesterday criticised Swiss companies' habit of restricting shareholders' voting rights, in order to ward off takeovers or unwanted outsiders.

Mr Markus Lusser, the central bank's new president, said he had "an uneasy feeling" that the practice was restricting liquidity.

He estimated that some 75 of the largest listed enterprises had provisions allowing them to curtail shareholder voting rights, a custom that could affect one-third of Swiss companies' market capitalisation.

Mr Hans Meyer, the central bank's vice president, said that, while restrictions to preserve the Swiss character of enterprises might be understood, those intended to limit the size of individual shareholdings or to keep off competitors were not acceptable.

Swiss companies' ability to make themselves immune to takeovers has become a major talking point on financial markets after Switzerland's Nestlé and Jacobs Suchard tabled competing bids for Britain's Rowntree.

Last week, Zurich Stock Exchange officials said they were examining whether shares, whose voting rights can be refused by company boards, should continue to be traded on the stock market. However, they vehemently rejected a suggestion that the Federal Council (government) should supervise stock markets.

The SNB yesterday backed a proposal by the Federal Banking Commission that the Banking Act be extended to cover finance companies and issuing houses.

Mr Lusser said that some 45 finance companies whose assets exceeded SFr100m, 50 issuing houses, and 10 institutions with large off-balance-sheet businesses would be subject to tighter controls.

Swiss interest rates will be freer to find their own level over the next month, while the SNB reappraises the effect of the new bank liquidity rules introduced on January 1.

The central monetary base – the money supply target used by the SNB – was 4 per cent lower in May than a year earlier, but this does not mean that the central bank has tightened its policy.

The decline is due mainly to the new liquidity rules which have allowed the SNB to reduce to SFr5.3bn the sight deposits that the banks have to hold with the central bank. This is 30 per cent below the level prevailing last spring.

France raises FFr8.68bn at monthly auction

By George Graham in Paris

THE FRENCH Government yesterday raised FFr8.68bn of funding at its monthly bond auction, taking its funding so far this year to FFr54.7bn out of a total estimated borrowing requirement of FFr90bn to FFr110bn for 1988.

The main sale was of the seven-year OAT 8.7 per cent 1995, where FFr4.28bn out of a total of FFr10.6bn of bids was served, at an average yield of 8.84 per cent. It also sold FFr1.65bn of the OAT 8.5 per cent 2002 at an average yield of 9.27 per cent and FFr2.75bn of the floating-rate OAT TRB 1993 at an average of 32 basis points above the weekly Treasury bill auction yield.

Yields have fallen by around half a percentage point since last month's auction.

UK COMPANY NEWS

PROFIT OF £113M AT LOWER END OF CITY EXPECTATIONS

Mothercare performance blights Storehouse

BY NIKKI TAIT

Storehouse, the retail group headed by Sir Terence Conran, yesterday revealed a £10m drop in profits before tax and property surpluses, at £113.1m for the 52 weeks to April 2. Sales increased slightly to £1.17bn (£1.12bn). The previous year's figures are for a 53-week period.

The 8 per cent downturn, following a 3 per cent fall at the interim stage, was at the lower end of City expectations. The shares, however, eased only 2p to 258p.

After a slightly higher level of property profits – £8m against £6.1m – the pre-tax total fell by 6.3 per cent to £121.1m. Earnings per share, after an unchanged tax charge of 31.4 per cent, dropped from 22.2p to 20.4p. The final dividend is held at 6.3p, although a small increase at the interim stage leaves a total payout of 8.8p (8.6p).

Storehouse said the year had been difficult for the retail trade generally, but these problems had been compounded by the severe downturn in profits from its Mothercare retail chain.

Mothercare's full-year trading profits fell from £35.1m to £22.1m, on sales of £302.9m (£306.4m). At the interim stage, Storehouse revealed that Mothercare's warehouse/distribution problems were more serious than expected, and switched half the stores away from a new national distribution centre back to a direct distribution system.

After seeing Mothercare's first-half profit fall £3.6m to £10m, Storehouse yesterday reported a £9.4m second-half drop to £12.1m. The company said £7.6m of the fall was due to the warehousing problems and additional marketing costs.

However, it added that the new warehouse/distribution systems should become fully effective in September, although additional distribution costs would be carried until then. It also pointed out that, on a like for like basis, Mothercare's second-half sales rose by 7 per cent, having fallen by 9 per cent in the first six months.

The BhS chain saw sales rise 4.9 per cent to £560.3m, and profits improved from £79.5m to £83.9m. Included in the profit contribution, however, is Storehouse's 50 per cent share of profits from SaveCentre. This amounted to £10m (£8.4m).

Yesterday, Storehouse said that the basic refurbishment at BhS was complete, although it does not expect any improvement in sales densities to feed through until the autumn. It also revealed that a space review was under way, which could entail some "relatively few" closures as stores relocated and different types of Storehouse outlet were combined on a single site.

The Habitat division's profits were little changed at £14.9m (£14.8m). The UK Habitat chain bore £0.5m of start-up costs on six out-of-town locations, although Heal's, The Conran Shop, and Habitat overseas all fared more happily. In the fashion division, with the first full-year contribution from Richards, profits rose to £7.3m (£3.9m).

The interest charge increased from £10.2m to £15.2m. The extraordinary costs of £11.9m included £7.5m for discontinuing operations in the Netherlands and £4.4m for last year's bid defence costs. Mr Robert Maxwell, Mr Tony Clegg's Mountleigh Group, and the Kuwait Investment Office remain shareholders – the latter with 3.2 per cent acquired after the October crash – but Storehouse said yesterday that it had seen no untoward movements in its share register recently.

See Lex

Alan Harper

Storehouse chiefs Michael Julien (left) and Sir Terence Conran

High metal prices lead to boost for RTZ profits

By Kenneth Gooding, Mining Correspondent

RTZ, the natural resources and industrial group, had enjoyed an extremely buoyant start to the year and profits were well up on the same period of 1987, reported Sir Alistair Frame, tha chairman, at yesterday's annual meeting.

He said the group was benefiting from current high metal prices and, although longer term RTZ anticipated some fall from present levels, prices certainly would not go back to tha depressed levels seen in most of the previous ten years unless there was a serious world-wide economic recession.

Sir Alistair said the group had largely completed its divestment programme but it would not use the cash for hasty acquisitions. "We only believe in takeovers that give us an opportunity to increase earnings per share".

Questioned about RTZ's near 25 per cent stake in Lasmo, the oil and gas company, Sir Alistair pointed out that his group was constrained from selling before June 1989 without the consent of the Lasmo board. He said discussions were going on between RTZ and Lasmo but did not indicate what they were about.

For an hour Sir Alistair faced a barage of mainly hostile qnestions abont the gronp's involvement in uranium mining, its presence in Sonth Africa and its CRA associate's plans for a mine in Australia's Western Desert.

He attempted to forestall some of them by making a detailed statement about RTZ's 46.5 per cent owned uranium mining associate Rossing, based in Namibia, which, he pointed out, represented less than 2 per cent of shareholders' funds.

Among other points, Sir Alistair said RTZ's subsidiary ISC would gradually phase out production of CFCs (chloro-fluoro-carbons) which are widely believed to be destroying the earth's protective ozone layer. It was cooperating with other companies in the search for substitutes for CFCs.

RTZ's own studies had found nothing to suggest a link between emissions of polonium from its Capper Pass tin smelter in Hull and unusually high levels of cancer in the area, but if necessary it would act on any information in two independent reports soon to be published.

Water companies seek meeting with Ridley over stakes

BY ANDREW HILL

THE Water Companies Association is to seek a meeting with Mr Nicholas Ridley, Secretary of State for the Environment, following the news that Northumbrian Water – one of 10 regional water authorities in England and Wales – has bought stakes in two of the UK's 28 statutory water companies.

Northumbrian Water yesterday confirmed that it bought "nominal holdings" in Newcastle and Gateshead Water Company and Sunderland and South Shields Water Company about 10 days ago, but would not reveal the cost or size of the stakes. The companies operate as agents for Northumbrian in north-east England.

The authority said it discussed the purchase of the shares informally with the DoE, although no formal approval was given.

Meanwhile, Mrs Virginia Bottomley, MP for Surrey South West, has written to Mr Colin Moynihan, the environment minister responsible for water, asking him urgently to review his statement last week that in the first instance it was for the water anthorities to decide whether they had the legal powers to acquire stakes in statutory companies.

Mr Moynihan was replying to a written parliamentary qnestion put by Mrs Bottomley, a director of Mid Southern Water Company, after she heard about the Northumbrian stakes.

Both statntory companies argue that Northumbrian does not have the power to buy shares under the 1973 Water Act or the recent Public Utility Transfers and Water Charges Act. The Water Companies Association is seeking further clarification on this point from the Department.

Yesterday Northumbrian said it did not anticipate increasing its stakes unless the companies said they were willing for the authority to do so.

Mr Frank Ridley, Northumbrian's chief executive, said: "I think our relationship with the companies is quite friendly, but the board came to the conclusion that co-operation between us was not going fast enough. We thought the small purchases would stimulate it."

He added that Northumbrian would consider buying shares in Hartlepool Water Company, a third statutory company operating in the area, if asked.

Planned privatisation of the water authorities has recently drawn investors' attention to the water companies, which are already in the private sector. In particular, French water suppliers have been building up large stakes.

Imry reaches £16.1m in first results since merger with CMD

BY CLARE PEARSON

Imry Merchant Developers, the property company, yesterday announced its first set of results since the group was formed this spring by the merger of Imry International and City Merchant Developers.

On a merger accounting basis, Imry's pre-tax profits for the year to end-March came out at £16.13m (£2.24m). This includes CMD's results for the 12 months to end-December 1987. Imry International exceeded its profit forecast of £7.5m, made at the time of its agreed bid for CMD, by £383,000.

The rationale for the combination of the two companies – which was regarded coolly by the City when it was announced in February – was that CMD had development experience and Imry investment income, and their chances of raising finance through bank borrowings were greater together than apart.

Last month, Imry entered into a 50/50 joint venture with Australian entrepreneur Alan Bond's Bond Corporation to develop the St George's Hospital site at Hyde Park Corner in London's West End. In addition, it set up a joint company, Imry Bond, both to manage Bond's existing portfolio and pursue further developments in the UK.

Mr David Davies, chairman of Imry and also chief executive of Hill Samuel, the merchant bank, was not to be drawn on projects being pursued by Imry Bond yesterday.

He said net borrowings had decreased from about 65 per cent of shareholders' funds at the year-end to about 52 per cent as a result of the St George's Hospital deal with Bond. Meanwhile, fully-diluted net assets per share would have stood at more than 400p, against 368.3p (235.1p), had the deal been completed by the year-end.

Imry currently has a substantial development programme with an estimated capital cost of more than £800m, although this accounts for only about 19 per cent of the group's gross property assets.

The group has an investment portfolio of more than £200m. About 55 per cent of the portfolio is made up of office property in central London.

Sales of trading and development properties gave £52.07m (£32.31m), while the cost of sales took £44.08m (£29.24m). Gross rental income, net of rent payable, stood at £11.94m (£4.47m). After management fees, the gross profit came out at £21.73m (£10m).

There is a 5p final dividend, making 7.5p (2p) for the year.

Rental side helps Dwyer to near five-fold increase

BY VANESSA HOULDER

Dwyer, property investment and trading company, yesterday announced interim pre-tax profits of £848,540, a near five-fold increase on the previous £151,194, together with a return to the dividend list.

Mr Desmond Bloom, chairman, said that the outlook was "tremendous". The majority of earnings came from rental income and prospects for further rental growth were excellent, he said.

The property market continued to be buoyant and the company's resources and low gearing left it well placed to take advantage of the resulting opportunities, he added.

Rental income increased to £1.14m (£346,447) for the six months to March 31 1988. Trading profits from the sale of a number of smaller properties contributed £365,914 (£181,230). Other income was £60,741 (£10,857).

Finance costs were £508,002 compared with £259,343. Other expenses increased from £128,077 to £217,812.

Gearing was 50 per cent at the year end, based on book value of assets. The properties are due to be revalued at the end of September and are expected to show a "substantially higher" value than the book value of £16m for the investment properties and about £8m for the dealing properties.

Since the end of the half year the company has completed the acquisition of Ambassador House, Thornton Heath, an office and retail investment.

Earnings per share increased to 5.35p (2.07p). An interim dividend of 1p has been declared. The last payment was made in 1980.

● comment

Dwyer, a Dublin-based shell company until Mr Bloom arrived on the scene in 1985, has a market capitalisation of just £20m. As such, it has been dubbed a mini-Mountleigh by some of its small but enthusiastic fan club in the City. Mr Bloom is seen as a shrewd operator who has made the most of the buoyant market that has resulted from low interest rates and strong institutional demand. Furthermore, should the market turn down, Dwyer should be cushioned by the emphasis on rental income - which accounts for over two thirds of profits. Profits are expected to reach £2m in the full year, pushing earnings per share up to about 12p. However the real excitement lies in the revaluation of its assets in September. Estimates of £2.50 for the net asset value per share mean that the shares, up 12p to 190p are trading at a discount of 24 per cent.

Investors study Guinness Mahon listing

Guinness Peat Group shareholders meet today to approve the demerger of Guinness Mahon Holdings and the plan to list it separately on the Stock Exchange. The shares in the new company are due to start trading on Monday.

GPG has also announced the resignation of Mr Michael Kerr-Dineen as chief executive of Guinness Mahon Capital Corp, the group's US arm. He is being replaced by Mr John Renwick, formerly of Manufacturers Hanover.

Mr Grant Adams, GPG chairman, declined to comment on the change of chief executive yesterday, but Mr Kerr-Dineen's departure is expected to foreshadow changes in the US operations.

Equiticorp, the New Zealand company which owns 61 per cent of GPG, has said it may sell parts of GPG under a plan to dispose of surplus assets.

Verson makes first move outside UK with US buy

BY RICHARD TOMKINS, MIDLANDS CORRESPONDENT

Verson International, the group of British engineering businesses put together by the Texan entreprensur Mr Tim Kelleher, has taken a small bnt significant step outside the UK with its first overseas acquisition.

It has bought the intellectual property, goodwill and certain other non-manufacturing assets of Taylor-Wilson Manufacturing of Pittsburgh for up to $400,000 (£220,264) in cash. Taylor-Wilson will now cease trading.

The US company is market leader in the production of hydrostatic pipe and tube-testing machines for the pipe mill industry. Its products tie in with the pipe-straightening machinery made by Verson's Bronx Engineering subsidiary in the West Midlands, which will now take over Taylor-Wilson's manufacturing.

Some $150,000 of the purchase price is contingent on the confirmation of an order from China for the supply of £4m worth of hydrostatic pipe-testing machines.

The acquisition will be accompanied by the opening in Pittsburgh of a Verson sales office. This will become part of Verson's worldwide marketing chain. It is initially expected to generate annual sales of about £350,000 in sales and service for Taylor-Wilson products.

Willoughby's Cons grows 52%

In the six months to March 31 1988 Willoughby's Consolidated, rancher and landowner, raised pre-tax profits by 52 per cent to £2.92m (£1.93m) on sales of £9.44m (£9.65m). Earnings rose to 21.5p (12.4p). An interim dividend of 3p is declared.

The comparisons are restated to reflect the merger with Corsyn Consolidated Mines and Corsyn Investments (Proprietary).

Commercial Union stake increased

An increased stake in Commercial Union Assurance Company has been taken by G A Duncan Proprietary, acting on behalf of a gronp of investors. The 3.6m shares (0.856 per cent) were acquired for £900,756 and increase the holding to 25.4m shares, or 6.031 per cent of Commercial Union's equity.

The group represented by Duncan comprises the Adelaida Steamship Company, Adsteam Finance and Investments, David Jones, David Jones (Australia) and David Jones Finance and Investments.

JAT wins shareholders backing with new package

BY NIKKI TAIT

REVISED RECONSTRUCTION proposals for Japan Assets Trust, the specialist investment trust managed by Edinbnrgh-based Ivory & Sime, have received overwhelming backing from shareholders.

Although both the convertible loan stockholders and the ordinary shareholders approved the revised scheme on a show of hands, I&S says that over 97.5 per cent of the proxy votes – on a fairly full turnout – were in favour.

The earlier reconstruction package was approved by the ordinary shareholders but turned down by the convertible loan stockholders, who argued that the time value in their holdings was insufficiently compensated.

The revised scheme offers shareholders a choice between switching into the new Selective Asset investment trust or moving into the offshore Atlas fund.

The former option has been accepted by about 1,500 shareholders – mainly private individuals – out of about 2,400.

However, they speak for assets of only £8.5m at JAT, and will increase the size of the new trust to about £50m.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Anglia Homes	int	1.25	July 28	0.7	-	2
Anglo Leasing	fin	2.5	-	-	3.5	-
Century Oils	fin	4.25†	Aug 5	4.15	6	5.75
Control Secs	int	0.38♥	July 29	-	-	-
Dwyer	int	1	Aug 3	-	-	-
Edbro	fin	6.5	July 15	5.5	9	8
Elga Group	fin	0.3	–	–	1	–
FKI Babcock	fin	1.75	-	1	2.35†	1.4
Imry Merchant	fin	5	-	2	7.5	2
Plaxton	int	1.6	July 15	1.5	-	4.5
Powell Duffryn	fin	13.25	Aug 8	11.75	18.5	16.5
Siebe	fin	6.08	-	5.29*	8.78	7.68*
Storehouse	fin	6.3	Aug 15	6.3	8.8	8.6
Willoughby's	int	3	-	-	-	nil

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ♥Special interim for current year.

ACI sells NZ glass stake to Pilkington

BTR Nylex said yesterday that ACI International, its new subsidiary, had agreed to sell its 50 per cent interest in New Zealand Window Glass to remaining stakeholder Pilkington Brothers (New Zealand) for an undisclosed cash price.

The sale to the wholly-owned Pilkington offshoot is effective immediately but subject to New Zealand Commerce Commission approval, BTR Nylex said in a statement.

New Zealand Window Glass, a flat glass manufacturer for New Zealand and other Pacific countries, was established as a joint venture between ACI and Pilkington in 1963.

Godfrey Davis buys laundry for £4.6m

Godfrey Davis Holdings, the diversified servicas company which has textile maintenance as its largest division, is buying a Newbury-based laundry business for about £4.6m.

Godfrey Davis said the acquisition of unquoted Newbury Laundry would give mnch needed extra capacity in the Thames Valley area.

The terms are 522.25p nominal of loan notes of Godfrey Davis, or the same amount in cash, for every Newbury share. Newbury made pre-tax profits of £296,000 on turnover of £4.47m in 1987.

Godfrey Davis Holdings was created a year ago when the laundry business Sunlight Services reversed into Ford main dealer, Godfrey Davis.

Rationalisation behind FKI Babcock profit surge

BY DAVID WALLER

REAPING THE rewards of rationalisation, FKI Babcock yesterday announced a 66 per cent rise in earnings per share and a threefold increase in pre-tax profits for the year to the end of March.

The electrical and engineering company, formed last summer when FKI Electricals bought the much larger Babcock International for £416m, reported pre-tax profits of £48.5m, up from £11.3m in the previous year and ahead of stockbrokers' expectations.

Earnings per share rose from 7.36p to 12.24p, while the final dividend is to be 1.75p (1p) making 2.35p for the full year, an advance of 75 per cent. Turnover climbed from £83.6m to £904.1m. The results include an 8½-month contribution from Stone International, the systems engineering company bought in June last year, and seven months from the Babcock companies.

The original FKI companies, where operating profits were 27 per cent ahead, contributed £16.5m to the pre-tax total; Babcock generated £27.5m and Stone £4.5m. Mr Tony Gartland, chief executive, said rationalisation measures had enhanced current year profits by some £6m – but that the full benefit would only show through in the current year.

Since the acquisition, the group has cut its workforce by 4,080 to approximately 30,000; it has closed 25 manufacturing sites; and has brought head office staff under one roof. Costs have been shaved by a net £50m a year. According to Lord King, chairman, the rationalisation process is all but over.

The £50m cost of the programme will not be reflected in the profit and loss account, but along with £35m of provisions against three contracts, will be taken against the share premium account created by the issue of new shares for the Babcock takeover.

Crucial to the exercise was reducing the high level of borrowing sustained as a result of the takeover. Analysts were surprised to find that gearing is now all but eliminated, with net debt at £8m. At the end of the financial year, net debt stood at £100m. This has subsequently been offset by property disposals and the sale of a number of businesses, including that of Fata, an Italian factory automation and food-processing company which fetched a total of £65.5m when sold last month.

Mr Gartland said that this leaves the company free to consider further acquisitions in the manufacturing area in line with his commitment to achieve annual earnings per share growth of 25 per cent. Organic growth would allow only 10 per cent growth.

The group is now divided into six operating groups, all of which performed ahead of budget and were said to be eotering the new financial year with strong order books. Profits from the power station division, based et Renfrew in Scotland, were £3m on sales of £120m, a return which Mr Gartland described as "satisfactory".

Net tangible assets per share were 54.2p (27.8p); tax absorbed £10.75m (£2m) and there was an extraordinary gain of £7.4m arising from the sale of Ames Crosta.

See Lex

Pearson's Spanish bid thwarted

By Terry Dodsworth, Industrial Editor

Pearson, the UK publishing, banking and oil services group, has failed in its initial attempt to expand in the Spanish newspaper market through the acquisition of Cinco Dias, a leading financial daily.

The proposed deal would have given Pearson, owner of the Financial Times, 44.5 per cent of the Spanish company, at a cost of £8.5m. It fell through when Estructura, the bolding company for Cinco Dias, decided to accept a rival proposal from a group led by Dow Jones, the US publisher of the Wall Street Journal.

L'Expansion, the French magazine in which Dow Jones also holds a stake, will take a further 10 per cent holding in Estructura, and two French banks will hold a further 5 per cent each.

According to Mr Frank Barlow, chief executive of the Financial Times, the two sides had reached an advanced stage in their negotiations before Estructura decided to pull out. Most of the financial issues had been settled, he said, and the two companiee were talking mainly about details.

"This was one of eeveral options we have in Spain," Mr Barlow said, "and we are now pursuing our other opportunities there."

Cinco Dias has a circulation of 24,000. It has been talking with a number of potential inveetors for some time because its founder, Mr Francisco Gaya, wants to sell half of his 89 per cent holding in Estructura.

Pearson was aiming to take a stake as part of its policy of acquiring interests in the business and financial press in different parts of the world. Only six weeks ago, this resulted in the takeover of the Les Echos financial daily in France in a deal worth £88m in cash and shares.

Coloroll claims 49% of Crowther shares

BY NIKKI TAIT

WITH THE bid from Coloroll for John Crowther Group due to reach its fourth close today, the bome furnishings gronp last night claimed to control 49 per cent of its target's shares.

In addition, S. G. Warburg, Coloroll's adviser, said that unvalidated support in respect of e further 0.2 per cent of the equity had been received. Coloroll's own stake in Crowther accounts for 14.9 per cent.

News of the increased level of support followed a dispute between Coloroll and rival bidder, Thomas Robinson, over the level of acceptances which had been witbdrawn by Crowther sharebolders.

Robinson claimed yesterday morning that by Wedneaday more than 200 shareholders, speaking for 1.4m shares, or 1.2 per cent of Crowther, had withdrawn their backing for the Coloroll offer.

But the figure was quickly contested hy Werhurg, which claimed that the Robinson figure included an erroneous witbdrawal by Kleinwort Grieveson Investment Management, in respect of 748,000 sbares, plus further witbdrawals in respect of 120,000 shares for which acceptances had never been received in the first place. The true level of withdrawals, suggested Warburg, was 0.5 per ceot.

Last night, Kleinwort Grieveson was nnable to confirm or deny whether it had mede an erroneous withdrawal, although it added that it intended to back the Coloroll bid and any withdrawal would have beeo a mistake. Robinson's adviser, Schroder Wagg, said it was unaware of a witbdrawal in respect of a block of shares of this precise size.

Meanwhile, the Takeover Panel said it was satisfied that compensation arrangements for Crowther directors if tbe Coloroll bid succeeded had not affected the terms of the offer, and that the Crowther's board had not taken these into account wheo deciding to recommeod the offer.

Yesterday Coloroll shares fell 2p to 181p – 9p below Robinsoo's cash alternative offer. The terms of the Coloroll bid are a one-for-one share swop.

Wembley launches offer for balance of US Pacer

BY DAVID WALLER

Wembley, the company which operates the football stadium, is set to expand into tbe US through the acquisition of Pacer Corporation, a supplier of cinema automatioo and management information systems. It is Wembley's first acquisition since it joined the stock market last October via e reverse takeover of GRA Group.

Wembley has leunched an agreed tender offer for the 52.5 per cent of Pacer's shares which it does not already own. It bas accumulated its stake in a series of purchases over the last month, thereby frustrating Pacer's original aim to merge witb Ticketmaster, a private US company. Pitcbed at $10.50 a share, the offer values Pacer et a total of $21m (£11.6m).

Pacer designs and manufactures computer systems used to automate aspects of the cinema business. Its range includes admission ticket systems and concessioo sales terminals. In the year to the eod of March, the company achieved sales of $7.85m and pre-tax income of $1.56m; last year, Wembley made pre-tax profits of £3.5m oo its continuing businesses.

Mr Brian Wolfson, Wembley chairman, said yesterday that the acquisition was consistent with the company's strategy of moving into areas complementary to its core activities.

It would allow Wembley to market Pacer's products in Europe and the UK, and give it a foothold in the US market. Eventually, Mr Wolfson said, it was hoped to manage stadia and conference centres in the US.

First US decision on BAT bid for Farmers imminent

BY NICK BUNKER

BAT Industries, the tobacco-based multinational, will bear this afternoon the result of a regulatory hearing in Phoenix, Arizona, into its $4.5bn (£2.48bn) takeover bid for Farmers Group, the Los Angeles-based insurer.

The state's insurance commissioner is expected to be the first regulatory official in the US to pronounce on whether or not BAT can acquire Farmers, following several days of hearings in Phoenix last month.

Mr Patrick Sheehy, BAT chairman, told shareholders at BAT's annual general meeting yesterday that the group expected the key decision from Ms Roxani Gillespie, the California insurance commissioner, within the next three weeks.

He added that decisions from other states were due to follow over the next few months.

But BAT also confirmed that it would not now bear until June 10 the result of a vote taken at the Farmers Group's annual meeting in Los Angeles on e BAT motion which urged the California company's board to enter into negotiations over the bid.

Mr Sheehy emphasised that BAT was still prepared to increase its tender offer for Farmers from the present $63 per share if Farmers was prepared to negotiate.

"That increase might be substantial if warranted by non-public information which Farmers might provide us in negotiations," he added.

BAT was still very confident that it would win all the necessary regulatory approvals for acquiring Farmers, said Mr Sheehy.

This was in spite of the US company's attempts to thwart its bid plans by arguing during regulatory hearings that BAT would be unfit to own an insurer group both because it has operations in South Africa and because it is a tobacco company.

Telfos sells Baldwin stake

Telfos Holdings, non-ferrous rod and diesel locomotive manufacturer, has sold its 5.01 per cent stake in Baldwin, metals and metal spraying company, less than two months after disclosing the holding.

At Baldwin's market price oo the day it sold the shares, the disposal is likely to have raised abont £650,000. Shortly afterwards, Telfos spent about £5.1m building its bolding in Walter Runciman, to 24.58 per cent.

● Scottish Ice Rink Company (1928), Glasgow leisure groop, said Old Crown Investments had bought 2m shares at 50p from director Mr James Glasgow to raise the total holding to 29.76 per cent. Mr Glasgow retains an 18.5 per cent stake.

Mr Reginald Brearley, also a director, sold 1m shares to reduce his holding to 10.4 per cent.

● *Ricardo Consulting Engineers* said Scottish American Investment Company bed raised its stake to 6.1 per cent. CH Industrials disclosed a 6.32 per cent holding earlier this week.

Zetters calls for share suspension

BY DAVID WALLER

Shares in Zetters Leisure, operator of 30 bingo clubs, were suspended yesterday at the company's request. At the suspension price of 120p per share, the company is capitalised at £17.2m.

The company refused to comment on rumours tbat it had received a bid approach, saying ooly that a further announcement would appear on or before Monday. Any deal would require the support of the Zetters family, which controls about 50 per cent of the shares.

UK COMPANY NEWS

THREE RECENT US CONTROLS ACQUISITIONS CONTRIBUTE HALF OF PROFITS

Siebe almost doubled at £118m

BY CLAY HARRIS

Siebe, controls, engineering and safety equipment group, increased pre-tax profits by 91 per cent to £118.4m in the year to April 2. The pre-tax advance from £62.1m in 1986-87 was achieved on turnover which breached the £1bn barrier for the first time, rising by 56 per cent to £1.06bn (£675.2m).

Siebe's three US controls acquisitions in the past 20 months accounted for half of total profits. The latest, Barber-Colman, contributed £6.18m in its first 22 weeks.

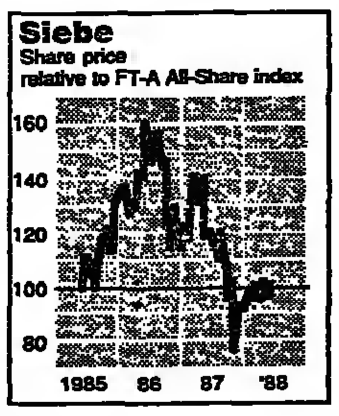
Mr Barrie Stephens, chief executive, said Siebe had reduced costs through shifting production to less expensive areas, from the US to Mexico, from Japan to Korea and from West Germany to the UK. Worldwide, there had also been unspecified job cuts "in four figures."

The weakness of the dollar enabled Siebe to double exports from the US from $60m to $120m (£68m). At the pre-tax level, however, the dollar's decline had reduced translated profits by £10m.

Re-organisation of Barber-Colman and the two earlier US purchases, Robertshaw and Ranco, had been completed, Mr Stephens said. Siebe was now concentrating on adapting US and Japanese technology for Europe and on replacing expensive metal elements in its products with cheaper thermoplastics.

Apart from the £61m (£18.6m) in profits from controls, garage and safety equipment accounted for £34.4m (£27.1m), Compair compressed air equipment for £20.2m (£15.8m) and property development for £2.7m (£600,000).

More than 45 per cent of turnover came from North America, 23.1 per cent from continental Europe, 14.6 per cent from the UK, 9.8 per cent from the Pacific region, with Africa and South America accounting for the rest.



Earnings per share rose by 32 per cent to 42p (31.7p). A proposed final dividend of 6.08p (5.285p) will raise the total by 15 per cent to 8.78p (7.63p). The previous figures are adjusted for a scrip issue.

The tax charge of £46m (£27m) reflected a rate falling from 43.5 per cent to less than 39 per cent.

Although minorities trebled to £3.4m (£1.1m), the absence of any extraordinary items after a £10.5m charge in 1986-87 enabled Siebe to raise attributable profits by nearly three times to £68.9m (£23.4m).

Combined with the £50m cash flow from operations, this helped Siebe to reduce its gearing to 44 per cent, the lowest level for seven years. Mr Stephens said Siebe did not envisage another rights issue for at least 12 months.

Siebe is to seek a US share listing in July, nine months after a planned launch was aborted last October.

Mr Stephens said he believed most "selling into strength" of Siebe's shares - a hangover of the pre-crash £207m rights issue to acquire Barber-Colman and reduce borrowing – had been exhausted.

Siebe shares closed 1p lower at 348p.

See Lex

US buy gives Fitch Design a new status

By Andrew Hill

Fitch & Company Design Consultants is to make its first overseas acquisition with the purchase of a US design consultancy.

The UK group announced it was planning to buy RichardsonSmith (RS), based in Ohio and Massachusetts, for a maximum of $19m (£10.5m).

Fitch – one of the five biggest design consultancies in the UK – said it was proposing to change its name to Fitch-RS, to reflect the US company's importance in the overall group structure.

Mr Ian Cochrane, Fitch's managing director, said the deal would give the UK group international status, while simultaneously strengthening the product design arm, which accounts for about 60 per cent of RS's business. The acquisition will increase the number of people working for Fitch from 370 to about 500.

The initial payment of $8m is to be funded by the issue of 4.39m convertible preference shares. The shares are being conditionally placed by County Natwest at 100p per share and are on offer to existing shareholders on the basis of 790 convertible preference shares for every 1,000 ordinary shares held.

A further payment of $11m in cash and ordinary shares will depend on RS's profitability up to the end of December 1991.

For 1987 RS returned profits of $753,000 after tax on total income of $8.43m. In the same period Fitch made £2.43m before tax, on turnover of £12.7m.

RS has three principal divisions: product design and development, graphic communication and interior design.

Century Oils slips to £5.2m and disappoints market

BY STEVEN BUTLER

Century Oils, specialist lubricants group, yesterday reported a 12.5 per cent slide in pre-tax profits to £5.2m for the year to the end of March. Coming after a £11.5m rights issue last year, the poor results had a severe affect on earnings per share, which fell by 32 per cent to 11.62p.

The 1987 figures were recalculated to reflect the adoption of average instead of year-end exchange rates.

The results came in far below market expectations, and Century shares were off 22p on the day to close at 163p.

The decline came in spite of a 10 per cent rise in lubricants volumes, and a 4.6 per cent rise in the sterling value of sales. Turnover reached £92.3m compared with £88.3m the previous year. Operating costs also rose, however, from £81.0m to £85.9m.

Mr Charles Mitchell, chairman, said the poor results were a disappointment but that a number of difficult situations in 1987 were now behind the company. He said the company had grown by 15 per cent annually over a 30-year period that had seen marked fluctuations.

He also pointed to the company's continued growth in sales volume despite the decline in Century's traditional market in the mining machinery industry.

The market for Century's products in the US, which accounts for about 20 per cent of sales, deteriorated sharply toward the end of the year and the company finished in the red. Base oil costs rose while the prices of Century's products eroded amid intense competition for market share.

Mr Mitchell added that the US market had returned to normal.

The results were also affected by a half year delay in commissioning a new manufacturing facility in the UK, and costs associated with running down outmoded plant. Mr Mitchell said, however, that the new plant was now running satisfactorily, with planned cost reductions being achieved.

In spite of the decline in performance, the dividend was increased from 5.75p to 6p.

● comment

Century Oils has a credibility problem. It was clear that performance would not match the optimistic outlook of earlier in the year, but the deterioration of US margins caught the market completely by surprise since Century kept this bit of bad news completely to itself. Investors backed Century's rights issue last year at what now appears an inflated price, and while dilution was to be expected few investors could have been prepared for such dismal results. Century is now looking to more stable markets and a better efficiency from the new plant to turn the tide. But given the problems of the past year and Century's accident-prone recent history, more than a bit of caution is merited. Century ought to be able to make pre-tax profits of £6.5m this year, but even that puts it on a prospective p/e of 11, not exactly a bargain.

Elga falls £0.64m into the red

Elga Group, water purification equipment manufacturer, fell into loss in the second half of its year to the end of March.

It blamed the unexpected weakness of the UK market and increased competition in far east markets due a fall in the dollar and aggressive trading by US suppliers.

There was a significant fall in sales by the laboratory products and industrial systems divisions.

On turnover down 11 per cent at £10.81m (£12.09m) there was a pre-tax loss of £641,000, against profits last time of £1.04m. At the interim stage profits were £201,000 (£370,000) and directors said that they were below expectations at the time of its flotation in June 1987.

The loss per 5p share was 5.43p, compared with earnings of 6.99p. However directors are recommending a final dividend of 0.3p to make a total for the year of 1p. When reporting the interim figures the board had been expecting to pay a final dividend of 1.4p.

The shares closed 4p lower on the day at 39p, against a placing price of 95p.

The board said that it was deeply disappointed with the results and that problems identified in the interim statement had taken longer than expected to resolve. However the financial position was strong, order levels were encouraging and the board was confident that profitability would return in the present year.

The operating loss was £114,000 (£1.16m profit) and the pre-tax figure was struck after an exceptional charge of £351,000 resulting from the reorganisation and restructuring. There were redundancy costs in the UK and France of £144,000 and compensation to directors for loss of office of £87,000.

It had been decided to close the Singapore office as the operation was not viable. Closure costs of £51,000 were taken as an extraordinary item.

Plaxton at £1.8m after six months

Pre-tax profits surged at Plaxton, coach body builder, in the six months to March 31 1988 from £123,000 to £1.82m on turnover ahead from £17.11m to £87.6m. Earnings per share rose from 0.9p to 5.9p. The interim dividend is being raised to 1.6p (1.5p).

The directors expect to announce a second interim dividend in late September for the nine months to June 30, and a final in March 1989 for the 15 months to December 31 1988. Thereafter the company will adopt a December year end.

The chairman reported good progress in all divisions during the six months under review and encouraging prospects for the rest of the period.

Strong demand boosts Anglo Leasing by 35%

IN ITS first full set of results since joining the stock market in October, Anglo Leasing, the office equipment leasing company, has increased annual pre-tax profits by 35 per cent from £4.45m to £5.98m.

The directors said that strong demand for its services resulted in an increase in the capital value of equipment purchased and of business loans made from £64.12m to £94.15m. Finance charges that would be earned in future from existing agreements amounted to £44.7m at the year end of March 31 1988.

The proposed final dividend of 2.5p makes a total of 3.5p for the year. Earnings per 10p share were 19p (14.8p).

In March the company introduced vehicle contract hire and contract purchase for fleet users. It expects to make useful inroads into this growth market in future years. It is widening the range of products carried by its professions division and extending its business.

Fast-growing Dauphin for SE

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

Dauphin, a Lancashire-based independent licensee of the West German office chairs company of the same name, is to float next Thursday with a full listing on the Stock Exchange.

A quarter of its shares will be placed by the Manchester office of Barclays de Zoete Wedd. The directors will retain the rest of the equity.

The company's rapid growth since its foundation – with a £15,000 loan from Barclays in 1982 – has seen turnover rise from £2m to £12.3m in its first five years and pre-tax profits from £200,000 to £2.9m in 1987. The number of employees has risen from four to 250.

The flotation is expected to raise £1.5m for further organic expansion and possible acquisitions, giving the company a market capitalisation of about £6m.

Dauphin is particularly interesting because it is now a substantial exporter to its German licensor. The exports are of precision-engineered underseat, tilt-and-swivel mechanisms. These form what Mr Alec Waddicor, chairman and chief executive, calls "the heart of the office chair". Quality problems in Germany started the flow of parts, now worth a growing £4m a year.

Mr Waddicor set up Dauphin with two colleagues so that, he says, he could work for himself. This was after Evartaut, the chair company he ran for Harrison Sheldon, was swallowed up in a takeover by United Technologies of the US. UT also bought up his share options. He was a friend of Mr Wilfried Dauphin, founder of the German company and Mr Dauphin continues to serve as a minority share-holding, non-executive director.

At first Dauphin assembled chairs from imported kits in its Blackburn factory, but a process of import substitution eventually led it to Unit Press, a small Preston toolmaker formed by two former craftsmen with British Aircraft Corporation.

Unit Press designed the tools to make underseat mechanisms and then expanded to make the mechanisms themselves. The mechanisms have tight tolerances to ensure that while chair seats can be tilted on the front-to-back axis and adjusted for height and angle of the backrest, there is no wobbling from side to side.

Dauphin became Unit Press' biggest single customer, so the two companies formed a group last year and this is the business being floated on Thursday.

Mr Magnus Mowat, head of BZW's Manchester office, says that the group is a marriage of marketing and engineering. It has about 5 per cent of a highly fragmented segment of the office furniture market but is in the top half-dozen suppliers. Retail prices of its products range from £72 to £850.

Its brands are the Mainline and Trendline series, although it also makes own-label products for large groups, a business it expects to expand greatly.

The flotation is also important for Manchester's continuing development as a financial centre.

The north's developing professional network has resulted in Rensburg, with offices in Liverpool and Leeds, acting as regional stockbroker, and two Manchester solicitors – Slater Heelis and Addleshaw Sons and Latham – acting for the placing and the company respectively. The accountant is the Blackburn office of Coopers and Lybrand. The only London involvement is that of Capel-Cure Myers for stockbroking in the capital.

Edbro up and order books healthy

Edbro, Bolton-based engineer, reported pre-tax profits for the year to the end of March up by 26 per cent. And with its order books being the healthiest for some time, both in value and product spread, the company was confident that the present year would show further growth.

Turnover improved from £23m to £26.4m, a rise of 15 per cent, for taxable profits of £2.9m (£2.3m). Interest charges accounted for £200,000 (£100,000).

Earnings per share came out at 24p (19p) and a final dividend of 6.5p (5.5p) is being proposed for a total of 9p (8p).

Anglia Secure Homes hits £1.8m midway

Rapid expansion has continued for Anglia Secure Homes, the specialist developer and manager of private retirement housing.

In the half year ended March 31 1988 profit before tax shot up from £463,000 to £1.75m.

Mr Peter Edmondson, chairman, said there had been a significant increase in operating margins, and he was confident of another year of excellent growth. The majority of completed sales will fall in the second half.

Turnover in the period came to £12.4m (£5.77m). Earnings moved up to 7.56p (1.9p) and the interim dividend is raised to 1.25p (0.7p).

The number of completed sales was 223, a further 96 had been legally contracted or completed, and a further 209 negotiated. Group expansion continued according to plan, with a further operating division formed in the south-west.

The management side continued its growth and had 1,660 units under control.

NZI takes more of Bromsgrove

By Fiona Thompson

NZI Financial Corporation, the New Zealand-based financial services company, has increased its stake in Bromsgrove Industries, the Midlands metals processor. NZI now holds 3.57m shares in Bromsgrove, giving it a 12.15 per cent stake.

Mr Bijan Sedghi, chairman of Bromsgrove, said yesterday: "NZI will be partners with us in the development of Neville Group." Neville is the financial services company acquired by Bromsgrove last month for £3m.

At the same time as the Neville acquisition, Bromsgrove also purchased Triman Holdings, a plastics products manufacturer, for £7m.

NZI took up part of the vendor placing in connection with the acquisitions and said at the time it anticipated playing a role in developing Neville's operations.

UK COMPANY NEWS

Property windfall helps push Powell Duffryn to £33m

BY VANESSA HOULDER

Powell Duffryn, distribution, engineering and construction materials group, increased pre-tax profits by 22 per cent to £33m in the year to March 31 1988, despite the adverse effect of the mild winter on its core fuel distribution business.

Mr David Hubbard, chairman, said the company had a strong trading year, with substantial gains in engineering and construction materials, improvements in shipping and bulk storage and higher property disposal profits.

Trading profits of the fuel distribution division fell from £14.8m to £13m, even though the results benefited from a £2.74m profit on disposal of surplus property.

In the shipping division, trading profits increased from £4.14m to £5.3m. The fleet, which includes 14 bulk carriers, was still not producing an acceptable return on capital. A programme of economies is continuing and the ships are being re-registered in the Isle of Man, which will cut employment costs.

The bulk liquid storage operation delivered profits of £4.5m compared with £4m in 1987. The engineering company increased profits from £6.8m to £11.4m, while construction materials improved from £2.2m to £3.3m, reflecting good demand and the mild winter.

Trading profits included a total of £3.5m stemming from the disposal of surplus properties. An exceptional item of £409,000 represented profit on the sale of a stake in C-less Capel & Leonard. An extraordinary item of £4.8m was a result of the loss on the sale of Allied Piping Productions and the settlement of a claim made in connection with the liquidation of IBH Holding.

Net borrowings at £34.8m represented 28 per cent of shareholders' funds.

Earnings per share, before extraordinary items, increased by 32 per cent, to 34.6p. A final dividend of 13.25p makes a total for the year of 18.5p (16.5p).

● comment

Buying a share in Powell Duffryn means taking a punt on the weather - and, in the wake of the balmy winter, the company is clearly chuffed to see profits move ahead at all. The City, however, dismissed the key property profits as windfalls and, although the results were some £3m above expectations, the share price moved up by just 4p. Looking ahead, the company is quietly confident. It expects continued solid growth on its engineering and construction operations, with particularly good prospects from brick production and anti-freeze packaging in the US. Meanwhile, the lacklustre shipping interests should deliver better returns thanka to cost-cntting and improved demand. The company should muster profits of £38m this year which puts the shares, at 381p, on a prospective multiple of 9. Given the bumdrum image of the company, that rating is best sustained by the generous yield of 7 per cent.

Public Works Loan Board rates

Effective June 2

Years	Quota loans repaid by EIP†	Att	at maturity§	Non-quota loans A* repaid by EIP†	Att	at maturity§
1			8⅞			9⅜
Over 1 up to 2	8⅝	8⅝	8⅞	9⅜	9⅜	9⅜
Over 2 up to 3	8¾	8¾	9	9¼	9¼	9¼
Over 3 up to 4	8⅞	9	9⅛	9⅞	10	9⅞
Over 4 up to 5	9	9	9½	10	10	10
Over 5 up to 6	9⅛	9⅛	9½	9⅝	9⅝	9¾
Over 6 up to 7	9⅛	9⅜	9⅝	9⅝	9⅝	9⅞
Over 7 up to 8	9⅛	9⅜	9½	9⅝	9⅝	10
Over 8 up to 9	9⅛	9½	9⅝	9⅝	9¾	10⅛
Over 9 up to 10	9¼	9½	9⅝	9¾	9¾	10⅛
Over 10 up to 15	9½	9⅝	9½	10	10⅛	10
Over 15 up to 25	9⅛	9⅛	9½	10	10	10
Over 25	9½	9⅜	9⅝	10	9⅞	9⅞

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Control Securities returns to dividends

By Andrew Hill

Control Securities, the ambitious property trading and leisure group, yesterday announced pre-tax profits of £8.31m for the year to March 31 1988, compared with a £608,000 loss in 1986-87. The group is to pay its first dividend since Mr Nazmu Virani became chairman in 1985.

Turnover more than trebled to £58.7m (£16.6m) and the board has declared a special interim dividend of 0.375p for the year to March 31 1989.

Control's shares – steady yesterday at 55p – are at a slight premium to net asset value which increased from 10.8p to 50.8p per share.

The leisure division – a portfolio of pubs, clubs, discotheques and hotels mainly located in tha Midlands and north of England – contributed pre-tax profits of £782,000. The balance came from property disposals and rental income.

Mr Virani said he hoped leisure would eventually account for 50 per cent of total profits. The company aims to become one of the top five leisure groups in the UK within the next three years.

Excluding its leisure portfolio, Control has about 150 properties, mainly offices and industrial buildings in London and south-east England. It specialises in trading properties valued at between £100,000 and £10m, which the larger property groups do not handle.

Mr Virani said the new financial year had seen shareholders' funds rise to £150m and 13 properties traded in the first two months, realising more than £21.5m.

Financing charges fell slightly in 1987-88, from £2.09m to £2m. Earnings per share were 5.1p (0.7p loss).

● Control also announced yesterday that it had exchanged contracts for the sale of 13 Grosvenor Gardens, London – a grade II listed building with 7,500 sq ft of office space – to Edenderry Group, the leisure company, for £2.55m in cash and shares. The purchase of the long leasehold involves the issue of 1.82 new ordinary shares by Edenderry, giving Control a 4.9 per cent stake in Edenderry's enlarged share capital. Edenderry is to move its head office to the building and sub-let the remaining space.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- none

Finals- Estates& Agency Hldgs, Henderson Administration, PCT Group

FUTURE DATES

Interims-

Hambros Advanced Tech Tst	June 7
Sidlaw Group	June 9
Finals-	
Airsprung	June 14
Alphameric plc	June 14
Lynton Property & Revers.	June 9

Clare Pearson looks at the change of emphasis in products and markets at ML Holdings

When defence is not the only option

THE GLEAMING lines of yellow-and-green bomb dispensers at ML Holdings' Slough plant look at first sight like an answer to Sir John Betjeman's prayer, "Come friendly bombs and fall on Slough."

In fact, this is the showpiece of the manufacturing engineer's core defence aviation contract, the provision of JP233 runway-cratering bomb dispensers for the Tornado, the UK's main fighter bomber.

The contract was for years a mainstay of ML's business, but re-negotiation since the arrival of Mr Peter Pollock, now chief executive, as finance director in 1985, has made it substantially more profitable. At the same time, its consistent delivery has transformed its position in the defence world.

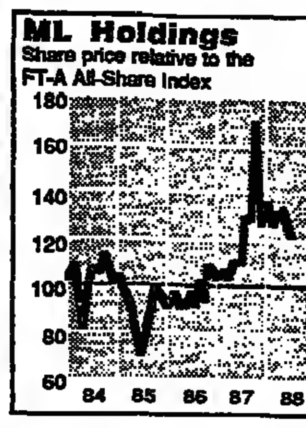
"Simply, the Ministry of Defence recognised that we had grown up," says Mr Pollock. For instance, ML has since been able to join an international consortium to bid for the supply of weapon carriage and release systems for Eurofighter, the new European tactical fighter aircraft.

Now ML faces another turning point.

Time is running out on JP233. Though orders from Saudi Arabia may ensure it some life after 1991, a project of comparable size will be needed if the company is to make the kind of quantum leap in profits and turnover for which Mr Pollock is hoping.

However, the enthusiastic Mr Pollock is currently bidding for aome new defence buainesa which, if successful, would be "the champagne, the caviar and the Fabergé eggs", as he puts it, of ML's development.

Peter Pollock – the MoD recognises we have grown up



By Christmas, the MoD will have awarded the mandate for a contract to deliver an airborne anti-armour weapon. ML's bid, named Damocles, is its first as a prime contractor on a project of any size. Its partner is the much larger West German firm, Rheinmetall. Between now and the end of the century, the contract could be worth £1bn.

The odds are clearly stacked against ML: there are eight other consortia bidding for the contract – they include the likes of Hunting Associated Industries and General Electric. "But we are in a good position to deliver both in cost terms and technologically," maintains Mr Pollock.

However, even if ML fails in this bid, Mr Pollock stresses that such a coup is no longer critical to the growth prospects of the company. The JP233 contract, which used to account for the majority of turnover, now represents less than 30 per cent.

This is because a string of acquisitions over the past two years have sharply reduced ML's dependence on defence aviation and turned it into a broadly-based manufacturing engineer.

The key elements of the company's transformation early in the Pollock era, in 1985, were the sale of a loss-making foundry, a £4m rights issue, and, most importantly, the re-negotiation of MoD contracts from a cost-plus to a fixed-price basis.

This transformed ML's margins, since, unlike the larger contractors, it did not already have hefty overheads in place. It also freed management time from the protracted wrangles witb the MoD which arose while payments were oo the cost-plus remuneration system.

"A particularly thorny problem, which ran and ran, was whether to treat about 17 people as a cost or an overhead. That's what it was like," says Mr Pollock.

His acquisitions policy has been to buy either solid businesses which were under-capitalised, or neglected parts of larger groups. After that, be has let them run themselves altbougb they are required to aim for a 10 per cent pre-interest return on sales. In the process, ML's overall margin on sales, after-interest, has more than doubled from 2.8 per cent in 1984 to 5.1 per cent in 1987.

Meanwhile, headquarters staff – wbicb until recently comprised just Mr Pollock himself, though last September Mr Stephen Bodger joined from Coloroll as finance director – have been free to mull over strategic direction.

What is generally judged as the shrewdest acquisition of the Pollock era was the purchase in 1986 of Slingsby Aviation, the Yorkshire-based manufacturer of aviation and marine structures from composite materials. Turnover has increased dramatically from leaa than £4m wben it was bought, to an expected £14m in the current year. Last month, ML added a neighbouring site which will enable Slingsby to benefit from 100 more staff and 50,000 additional sq ft.

One part of the group which is beginning to sit a little oddly in the portfolio is the Plymouth-based signalling business, inherited from the original ML company, since this is engaged in a chronically low margin area.

Mr Pollock does not rule out disposing of the signalling business in due course. However, just at the moment things are looking np for it as it has obtained the contract, worth £9m, for the construction railway for the Channel Tunnel. It is bidding for main Tunnel signalling contract as part of a consortium, which could be worth between £20m and £30m. These developments came after a disappointing 12 months when it gained no new business at all.

This year, ML has used up about £10m of its January £12.8m rights issue on the purchases of Gothin Crellon, the microsystems and electronic components distributor, and Slingsby Engineering. However, gearing is negligible leaving plenty of scope for Mr Pollock to go on the acquisitions trail once more.

The main risk, as one analyst says, is that Mr Pollock might overreach himself. Despite taking something of a dive towards the end of last year, ML's shares still stand at a premium to the nearest comparable companies, such as Meggitt Holdings and FR Group. ML followers see this as eminently justifiable on a track-record basis, and the shares might look cheap if the ambitious Mr Pollock succeeds in obtaining the really large but well-priced deal for which he is boping.

COMPANY NEWS IN BRIEF

NEW ENGLAND Properties: Hunting Group has increased its stake from 15.72m ordinary shares (15.75 per cent) to 20.41m (20.44 per cent).

MEYER INTERNATIONAL has bought Simmons & Son, Stafford-based builders' merchant, for £1.6m, through its Jewson subsidiary. Book value of the assets acquired is abont £1.1m.

COURTAULDS coatings subsidiary, International Paint, has acquired La Minerva of Italy and the business of Drogas y Suministros of Spain. Consideration for each acquisition is less than 1 per cent of the shareholders' funds of Courtaulds.

MERLIN INTERNATIONAL Properties has disposed of two subsidiaries, Grosvenor Investment and Boyle to Conan, to be completed on June 15. Aggregate value of the consideration, payable in cash within the next three years, is A$28.44m (£12.6m). Merlin has bought Castle Place shopping centre in Trowbridge, Wiltshire, from Norwich Union, for about £4.25m cash.

GUINNESS bolders of £143,261 of 8.25 per cent convertible unsecured loan stock 1996/2001 have converted their boldings into 49,328 ordinary stock units of 25p each on May 31. The basis was one unit for every 290p nominal of the stock, leaving a balance in issue of £73.46m.

CALA has completed the purchase of Stanley Stone from British & Commonwealth Holdings for £6.14m in shares. B&C is also subscribing for £2.2m worth of new shares, giving it a total holding in CALA of 16 per cent.

COMMODITIES AND AGRICULTURE

Britain prepares to pay farmers for stopping production of arable crops

BY BRIDGET BLOOM, AGRICULTURE CORRESPONDENT

BRITAIN IS set to become the first member of the European Community to announce a formal "set-aside" scheme for taking arable land out of agricultural production.

Mr John MacGregor, the Minister of Agriculture, is expected to give details of the scheme to Parliament next week. Farmers will be eligible for compensation for leaving their land fallow, provided they meet certain conditions.

The British scheme is part of a Community-wide move, agreed at last February's EC summit, to reduce production of surplus arable crops and thus the spiralling costs of farm support.

This year's EC farm budget has been set at Ecu 27.5bn (£18bn), a limit which is said to be already perilously close to being exceeded.

The set-aside scheme, which each EC state is required to introduce by July 14, has been controversial. One reason is that the only big precedent, in the United States, has had only patchy success.

Set-aside has been endorsed in the EC mainly because of pressure from West Germany, which has seen it as an alternative to cutting prices to farmers, and from Britain, which views it as a potentially important adjunct to cutting prices.

John MacGregor: trying to frame some simple rules

Opinion on set-aside in Britain has been divided, with the National Farmers Union arguing for a compulsory system. The scheme actually being introduced will allow farmers to choose whether they participate. It has been criticised by environmental bodies for being conceived too hastily and for a potentially harmful environmental impact.

The critical issue for farmers is the amount of compensation. In a consultative document issued late last year, the Ministry of Agriculture said compensation would range from £150 to £200 a hectare, roughly in the middle of the range of £70 to £420 a hectare allowed by Brussels. EC contributions will be on a descending scale, starting from 50 per cent at the lower end of the range.

There are fears that at the proposed British rates only the most marginal land would be taken out of production. West Germany has established the only pilot set-aside project in the EC, and in Lower Saxony average compensation rates are about £400 a hectare.

The Community-wide scheme has been designed to have common rules, with some flexibility allowed to member states in their application. All schemes must provide for farmers to leave fallow a minimum of 20 per cent of their arable land which previously grew any of the major crops, like cereals, which receive EC support.

Farmers must contract for set-aside for five years. At the insistence of France, there is an option to drop the contract after only three years. Idled land can be left fallow (albeit with a green cover crop like clover), used for forestry, or turned over to activities outside farming such as sports or camping.

The EC Commission's rules allow member states discretion over whether green fallowed land may be grazed, albeit at low intensity. The issue has been controversial in Britain, partly because it is feared that the livelihood of hill sheep and cattle farmers could be put at risk.

It is understood that Mr MacGregor has decided against allowing grazing, partly because of pressure from hill farmers. He also feels it would be an additional complication to the scheme, which is intended to be relatively simple and flexible to administer. France and West Germany are likely to retain the grazing option, and the Netherlands to discard it.

Mr MacGregor hopes to announce the British scheme to Parliament on Wednesday

Lyng scoffs at EC's 'pipsqueak' campaign

BY NANCY DUNNE IN WASHINGTON

MR Richard Lyng, the United States Agriculture Secretary, has dismissed European Community set-aside plans as "pipsqueak" in comparison with the US programme.

He has also defended his department's decision to reduce drastically its wheat set-aside scheme for 1989.

Mr Lyng said in Washington late on Wednesday that he had been unable to detect any reduction in European production although "they made a great to-do" about stabilisers and price cuts.

"The acreage reductions that they are talking about are pipsqueak when you consider what we have been reducing," he said. "You translate 70m acres. That is the equivalent of all the farmland in France and all the farmland in Spain combined."

Mr Lyng said the US Agriculture Department had cut the country's set-aside from 27.5 to 10 per cent of base acreage after reducing wheat stocks by 15m tonnes last year.

The dry weather troubling the mid-west had supported that decision, he went on, leaving little chance of an early return to excess supplies. American farmers were being given the opportunity to produce more, which would lower their unit costs.

"There was no effort in this to sabotage the efforts of the European Community," he said. "It was an effort to keep US production at a level where we can continue our exports, continue our domestic consumption and have an adequate safe supply."

Mr Lyng also complained about EC suspension of import licenses for apples. "I don't know what they expect us to do when the French apples start coming toward our markets later this year . . . I think they've made some mistake in closing the door on us."

On the negotiations over farm trade in the international trade talks, he talked of the difficulty of getting the EC to agree on the goals of the negotiations.

"We see we should eliminate subsidies. They say that's too much, that we could never do that. But they won't come back and say what should be done," he complained.

Strike fear drives zinc price to a record

By Kenneth Gooding, Mining Correspondent

ZINC PUT up a strong performance on the London Metal Exchange yesterday amid growing nervousness about further interruptions to supplies.

Metal for delivery in three months reached a record dollar price of $1,215 in early trading before easing back to $1,206, up $18 on the day.

In sterling terms, three-month zinc ended £22.50 up at £672.50 while the cash position advanced £37.50 to £712.

It seems increasingly likely that there will be a strike over pay at Curragh Resources, the former Cyprus Anvil lead-zinc mine in the central Yukon, Canada, which was re-opened in 1986.

The Canadian Government has decided against appointing a mediator in the dispute, and a union official said Curragh would probably be given seven days notice of a strike today.

Curragh owns the biggest open-pit lead-zinc mine in the world, and last year produced 348,000 tonnes of zinc concentrate and 184,000 tonnes of lead concentrate.

Zinc shipments from Peru have already been badly affected by strikes and shortages of spare parts to keep machinery running.

● Inco, the Canadian group which is the world's biggest nickel producer, indicated yesterday that it expected its average realised price for the metal to be more than $5 a lb for the second quarter of 1988, compared with an average of $3.47 for the first three-months and $2.18 for the whole of 1987.

The LME cash nickel price advanced from $3.40 a lb in December to more than $10 in March. Last night it stood at $6.74 a lb.

US soya growers complain of 'inadequate' curbs in Europe

BY DAVID BUCHAN IN BRUSSELS

FARM PRICE reforms by the European Community this year are not enough to cut output of oilseeds and protein crops, the American Soybean Association (ASA) complained here yesterday.

The association published a study to reinforce its formal complaint to the General Agreement on Tariffs and Trade (GATT).

The association explained that it was complaining that the EC oilseed and protein crop rules had caused a $1.4bn decline in annual sales by the United States of soyabeans and soyabean meal to the EC between 1981 and 1986.

Mr Wayne Bennett, president of the association, said he did not expect the US Government to accept last month's refusal by the EC to allow a GATT panel to be established to settle the association's complaint.

Officials of the association suggested yesterday that if the EC blocked the panel again, precedent indicated that the US Government might consider trade retaliation against the community.

The ASA said it was shocked by the results of the report it had commissioned from Landell Mills Commodity Studies of the UK. The report showed that net margins in the EC for oilseeds and pulses were so much higher than for grain that in 1986/87 a French farmer could have made $637 a hectare profit from growing soyabeans.

That was higher than the world market value of soyabeans and represented a 116 per cent return above production costs, the Landell Mills study said.

The same general trend was evident in the UK and Italy, the study showed. Landell Mills said it was obvious why EC oilseed and pulse production had increased by 250 per cent from 1981 to 1987.

EC officials called the study "welcome and useful." But they said its analysis was based on 1986/87 data, and did not take effect of the stabilisers agreed by EC heads of government earlier this year.

An early indication of the effect of those, the EC officials claimed, was an 11 per cent reduction in the area sown to soyabeans in Denmark this year compared with last year. Denmark is the only EC country where spring soyabeans are sown.

The officials also predicted reductions of 4 per cent to 6 per cent in production of sunflowers, a source of edible oils, and soya in France and Italy.

The American association retorted that even if those reductions occurred, they were not enough to undo the damage done to supplier nations like the United States, Argentina and Brazil which had to grow soyabeans without the enormous price subsidies going to European farmers.

Thailand announces its biggest rice sale

BY PETER UNGPHAKORN IN BANGKOK

THAILAND announced yesterday that it was to sell India 500,000 tonnes of rice worth more than £70m over the next five months. It will be Thailand's biggest single sale and one of the biggest in the world.

The deal by the Governments of the two countries was concluded in Delhi at the weekend and announced yesterday. It ended weeks of speculation about a large purchase to make up for a drop in the 1987-88 Indian harvest estimated at 14m tonnes of unmilled rice.

Prices at the farm gate in Thailand have fallen in the past few weeks with heavy rain affecting the quality of the second crop, which is now being harvested. Exporters, other than those with short positions, will welcome the sale because they supply the Government for official deals.

The sale to India has already started to stimulate demand from other buyers at a time when the market was starting to flag after the year began with unusually high prices.

Some of the details announced yesterday by Mr Montree Pongpanit, the Thai Commerce Minister, remained unclear. He said the deal was worth Baht 3.4bn (£72m).

The quantities and grades announced would have to be sold at about 7.5 per cent above current market prices to make that total. The Indians were reported to be offering considerably less.

Indian production of unmilled rice in the 1987-88 crop season is reported at about 76.5m tonnes, compared with 90.6m a year earlier. The country is normally self-sufficient in rice, but the trade has been speculating that India may buy as much as 800,000 tonnes of milled rice this year.

Last year's drought also affected output in Thailand, the Philippines, Indonesia and Pakistan. World prices almost doubled in the 12 months to February.

But demand failed to meet expectations. Iran, normally a large importer, has been noticeably quiet this year. Observers have been debating whether this is because of a shortage of cash or whether Iran remains well stocked.

In Thailand the high prices encouraged farmers to plant a large second crop despite government warnings that irrigation would be rationed because of the drought. The main monsoon arrived early, however, and most estimates of the second crop have been increased to about 2.5m tonnes of unmilled rice.

Thailand is unlikely to match the 4.4m tonnes exported last year and may drop behind the United States this year with about 2.5m tonnes.

The cultured tastebuds that tailor Britain's favourite cuppa

BY DAVID BLACKWELL

"TASTING IS the only accurate way of assessing tea - it's far faster than lab work."

That is the confident assertion of Mr Stephen Jones, chief taster for Brooke Bond, the company responsible for much of the nation's vast daily tea consumption.

Nevertheless, the tasting room at the company's headquarters in Croydon, south London, strongly resembles a laboratory. The procedure for tasting a fresh batch of teas is conducted with scientific precision.

The long tasting room is traversed by about 30 benches. On each is a row of white china lidded pots, and each of those is matched with a large white bowl. On each bench a taster can be faced with as many as 35 different brews awaiting his judgment.

An exact 5.6 grams of tea, taken from samples of different teas being offered for sale, is measured into the pots. It is used to brew 300 cc, or about half a pint, of what is known as "liquor," which has double the strength of a typical domestic brew. The 5.6 grams is a hangover from days when a silver shilling was used as the weight.

Old-fashioned-looking kettles, which are not electric, stand on hobs near the benches.

"It must be fresh water, freshly boiled," said Mr Jones, who talks of the "liquors" with the respect a wine taster would have for the latest products from the vineyards of France.

Forget the oft-repeated advice that a good brew has to stand for three minutes. The professionals stipulate six minutes; any shorter and the full flavour does not emerge – any longer and the tannins start to give the tea the "stewed" taste so familiar to anyone who pours a second cup from the same pot.

When the six minutes are up, the liquor is poured into the tasting bowl which contains exactly 5 cc of milk. Milk is used in the tasting for the UK because 98 per cent of British tea drinkers put milk in their tea. The habit and taste are retained in the countries of the old empire, but has never caught on elsewhere.

The resulting strong brews are assessed with astonishing speed. The taster scoops up a spoonful of tea, sucking it into his mouth with a violent slurping action. This would win no prizes for manners, but it atomises the liquid.

Then the taster breathes out through the nose, getting the full flavour of the tea before expertly expelling it into a large, mobile spittoon.

The pungency, strength and astringency of each brew are carefully noted. "Some are thin and watery like lager, some thick and textured like Guinness," explained Mr Jones.

It was easy enough to taste the dramatic difference between the single teas – but it takes five years to train a taster fully, and 10 years to make an expert who can assess the quality of a tea in a split second.

The skill comes in being able to create a blend of as many as 30 teas from all over the world so that the resulting brew tastes just like the last packet sold to the consumer. At the end of each bench is a packet of a brand tea which the taster has to match exactly with his final blend.

Consumers are good enough tasters to react quickly if the product quality falls, said Mr Jones.

The task is unending. Tea is not a seasonal crop like coffee. There is no futures market as no standard can be established. Tea bushes, which have new leaves coming daily, are picked every week.

Every day a fresh batch is picked on each of the world's 14,000 tea estates, and each picking will taste different. "Each batch is unique. Once it's gone it can never be replaced," said Mr Jones.

Colombia halts exports of oil after pipeline attacks

ECOPETROL, Colombia's national oil company, has had to suspend exports and declare force majeure after attacks last week on an important pipeline, Reuter reports from Bogota.

An official of the company said loadings at the Caribbean port of Covenas had been halted on Saturday night and were expected to resume yesterday after repairs to the pipeline. Most of Colombia's oil exports go the United States.

The suspension affects Ecopetrol, Occidental Petroleum and Royal Dutch/Shell Group, which together export about 180,000 barrels a day through the Cano Limon-Covenas pipeline.

The giant Cano Limon field, near the border with Venezuela, is 50 per cent owned by Ecopetrol. Occidental and Shell each own 25 per cent. There were two main attacks on May 27 and 28 at kilometres 94 and 382.

Ecopetrol said last month that it had lost $38.1m (£21m) in revenue during the first quarter of the year because of the attacks.

The country has suffered attacks on installations and kidnappings this year by armed groups protesting against the presence of foreign oil companies in Colombian oilfields.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER PRICES on the London Metal Exchange maintained their upward momentum yesterday on continuing concern about availability of supplies for immediate delivery. Covering purchases, some of which appeared to be against July options positions, were apparent as the cash position rose to £1,445 a tonne at the close, up £77.50 on the day and £178.50 on the week so far. Dealers also noted widespread "borrowing" (buying cash and selling forward), which was reflected in the further widening of the cash premium over three months delivery copper from £178 to £220.50 a tonne. With sterling weakness again providing a firm background other base metals also registered gains. Most notably cash high grade aluminium rose $195 to $3,935 a tonne, taking the rise on the week so far to $740 a tonne. Nearby supply tightness also played a part here, as was indicated by the three months position's comparatively modest £45 rise.

COCOA £/tonne

	Close	Previous	High/Low
Jly	926	934	930 924
Sep	952	953	957 944
Dec	970	976	980 966
Mar	1004	1003	1007 990
May	1022	1022	1022 1014
Jul	1041	1041	1037 1027
Sep	1060	1060	

Turnover: 4402 (6168) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 2: 1218.73 (1234.94). 10 day average for Jun 3: 1256.75 (1258.72)

COFFEE £/tonne

	Close	Previous	High/Low
Jly	1110	1073	1115 1067
Sep	1121	1084	1124 1074
Nov	1132	1096	1127 1085
Jan	1142	1110	1142 1093
Mar	1144	1130	1125 1110
May	1150	1122	1120
Jly	1150	1140	

Turnover: 6234 (3478) lots of 5 tonnes
ICO indicator prices (US cents per pound) for June 2: Comp. daily 1979 117.02 (117.49); 15 day average 117.07 (117.08).

SUGAR $ per tonne

Raw	Close	Previous	High/Low
Aug	220.00	224.60	225.80 221.00
Oct	219.20	221.80	223.20 218.40
Dec	218.80	223.00	221.00 219.00
Mar	217.00	220.00	221.00 218.40
May	217.00	221.00	

White	Close	Previous	High/Low
Aug	255.80	259.80	259.00 256.00
Oct	252.00	254.50	259.00 250.00
Dec	252.00	255.00	
Mar	255.00	259.00	258.00 254.00
May	257.00	259.00	
Aug	259.00	261.00	

Turnover: Raw 5838 (6023) lots of 50 tonnes; White 827 (1045).
Paris- White (FFr per tonne): Aug 1495, Oct 1474, Dec 1480, Mar 1505, May 1518, Aug 1525

GAS OIL $/tonne

	Close	Previous	High/Low
Jun	142.25	142.00	142.75 141.50
Jly	142.75	142.00	142.25 141.00
Aug	143.00	143.80	143.75 143.00
Sep	144.25	144.75	145.25 144.75
Oct	146.00	146.25	146.00 146.00
Dec	148.50	148.50	148.50

Turnover: 1817 (2524) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jly	105.70	105.40	105.80 105.60
Sep	103.75	103.55	103.75
Nov	105.75	105.00	105.75 105.60
Jan	108.20	108.00	108.20 108.00
Mar	110.20	110.00	110.20 110.00
May	112.45	112.25	112.45

Barley	Close	Previous	High/Low
Sep	100.35	100.50	100.35 100.15
Nov	102.50	102.70	102.75 102.40
Jan	104.50	105.20	105.00 104.60
Mar	107.00	107.40	107.00
May	109.20	109.60	109.20

Turnover: Wheat 120 (160), Barley 115 (67) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	3925-45	3730-50		3940-60		
3 months	2730-40	2680-700		2740-60	2730-40	4,974 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 27,400 tonne
Cash	2180-90	2025-35	2170	2165-70		
3 months	1495-500	1465-7	1515/1488	1508-10	1503-4	52,443 lots
Copper, Grade A (£ per tonne)						Ring turnover 68,350 tonne
Cash	1440-50	1365-70	1450/1210	1391-5		
3 months	1224-5	1180-90	1235/1198	1200-2	1229-30	70,614 lots
Copper, Standard (£ per tonne)						
Cash	1220-40	1205-25		1240-50		
3 months	1160-80	1150-60		1160-70		45 lots
Silver (US cents/fine ounce)						Ring turnover 20,000 ozs
Cash	674-7	674-5	670	670-1		
3 months	686-9	686-8		682-3	685-90	677 lots
Lead (£ per tonne)						Ring turnover 7,750 tonne
Cash	368-70	364-5	372	370-2		
3 months	342-4	342-5	348/342	345-6	343-4	11,920 lots
Nickel ($ per tonne)						Ring turnover 726 tonne
Cash	14600-800	14700-800	14600/14750	14750-800		
3 months	13300-70	13400-800	13500/13300	13400-50	13400-500	7,162 lots
Zinc (£ per tonne)						Ring turnover 13,150 tonne
Cash	710-4	674-5	715/710	709-10		
3 months	672-3	648.5-50.5	680/670	671-3	670-80	20,592 lots

SPOT MARKETS

[illegible]

POTATOES £/tonne

[illegible]

SOYABEAN MEAL £/tonne

[illegible]

FREIGHT FUTURES $10/index point

[illegible]

FRUIT AND VEGETABLES

[illegible]

LONDON BULLION MARKET

[illegible]

LONDON METAL EXCHANGE TRADED OPTIONS

[illegible]

New York

GOLD 100 troy oz.; $/troy oz.

[illegible]

PLATINUM 50 troy oz; $/troy oz.

[illegible]

SILVER 5,000 troy oz; cents/troy oz.

[illegible]

COPPER 25,000 lbs; cents/lbs

[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

[illegible]

HEATING OIL 42,000 US galls, cents/US galls

[illegible]

COCOA 10 tonnes;$/tonnes

[illegible]

COFFEE "C" 37,500lbs; cents/lbs

[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

[illegible]

COTTON 50,000; cents/lbs

[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

[illegible]

SOYABEAN MEAL 100 tons; $/ton

[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

[illegible]

LIVE HOGS 30,000 lb; cents/lbs

[illegible]

PORK BELLIES 38,000 lbs; cents/lb

[illegible]

INDICES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound weak despite rate rise

THE SPECULATIVE bubble responsible for much of sterling's rise over the last two months, was badly punctured yesterday, as the pound tumbled through successive support levels, despite a half point rise in UK base rates.

Overseas investors unwound long sterling positions aggressively, and this created a snowball effect. One dealer pointed out that previous comments by Mr Nigel Lawson, the Chancellor, about how sterling's rise was "unsustainable" were now coming home to roost. Those short term investors with long sterling positions at DM3.1800 were getting their fingers burnt.

A half point rise brought base rates into line with market rates only briefly. Cash rates continued to climb, and dealers pointed out that a half point increase had rarely been sufficient to reverse market sentiment.

Sterling's exchange rate index finished at 76.5, down from 77.1 at the start and 77.3 previously. After Wednesday's one per cent fall against the D-Mark, sterling lost a further one and a half per cent yesterday, closing at DM3.1050 from DM3.1475. In early New York trading, the pound fell below the significant DM3.10 level.

Dealers saw no intervention by the Bank of England which, they suggested, could mean a further decline in sterling's value before another base rate rise.

Against the dollar it shed 2.4 cents to close at $1.8000. Elsewhere it finished at SFr2.5850 from SFr2.6275 and FFr10.5025 compared with FFr10.6250.

Central banks were active, the US Federal Reserve especially, selling dollars against D-Marks, yen and sterling. The West German Bundesbank was also selling dollars while the Bank of Italy probably gave support to the lira in Milan.

The dollar was the principal beneficiary of the flight out of sterling, as the recent rise in US interest rates gave the dollar a renewed attraction.

However to some extent the dollar's rise was the result of investors unwinding long sterling and yen/short D-Mark positions. In addition the extent of the improvement by the US unit - particularly against the D-Mark - was inhibited by proximity of today's release of US unemployment figures.

Traders were also wary about central bank intervention. The US Fed is unlikely to want to see a sustained rise in the US dollar. Consequently the US unit finished at DM1.7245 from DM1.7250, having touched a high of DM1.7340. The Japanese yen suffered from a catching up process, which allowed the dollar to improve to Y126.50 from Y125.20. Elsewhere the dollar closed at SFr1.4365 from SFr1.4405 and FFr5.8350 compared with FFr5.8250. On Bank of England figures, the dollar's exchange rate index rose from 93.8 to 94.2.

The French franc benefited from sterling's weaker trend, but lost ground against the D-Mark and the dollar in Paris. The US unit was fixed at FFr5.8455, up from FFr5.8165 on Wednesday, and its highest fixing level since October last year.

The D-Mark was fixed at FFr3.3840 from FFr3.3778. This eroded the franc's position within the EMS, but dealers stressed that the retrenchment was more an indication of the D-Mark's resurgence, rather than a renewed weakness in the franc.

May's average rates against the dollar were: DM1.6940 against the D-Mark; Y124.74 against the yen; $1.8696 against sterling; and FFr5.7340 against the French franc.

£ IN NEW YORK

June 2	Latest	Previous Close
£ Spot	1.8015-1.8025	1.8125-1.8135
1 month	par-0.01dis	0.01-0.02dis
3 months	0.10-0.07pm	0.10-0.08dis
12 months	0.98-0.88pm	1.24-1.17pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 2	% change from central rate	% change adjusted for divergence	Divergence limit, %
Belgian Franc	42.4582	43.4121	+2.25	+1.00	±1.5344
Danish Krone	7.85212	7.91031	+0.74	-0.51	±1.5404
German D-Mark	2.05853	2.07619	+0.86	-0.39	±1.0981
French Franc	6.90403	7.01991	+1.68	+0.43	±1.3674
Dutch Guilder	2.31943	2.32992	+0.45	-0.80	±1.5012
Irish Punt	0.768411	0.776216	+1.02	-0.23	±1.6684
Italian Lira	1483.58	1545.44	+4.17	+3.40	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING INDEX

	June 2	Previous
8.30 am	[illegible]	77.7
9.00 am	[illegible]	77.6
10.00 am	[illegible]	77.4
11.00 am	[illegible]	77.4
Noon	[illegible]	77.3
1.00 pm	[illegible]	77.2
2.00 pm	[illegible]	77.3
3.00 pm	[illegible]	77.2
4.00 pm	[illegible]	77.3

POUND SPOT- FORWARD AGAINST THE POUND

June 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7945-1.8155	1.7995-1.8005	0.11-0.08cpm	0.63	0.46-0.41pm	0.97
Canada	2.2110-2.2335	2.2110-2.2120	0.17-0.27cdis	1.19	0.35-0.45dis	-0.70
Netherlands	3.47½-3.52½	3.48-3.49	1¼-1⅛cpm	4.09	3⅞-3⅝pm	4.23
Belgium	64.75-65.75	64.95-65.05	14-10cpm	2.22	46-38pm	2.58
Denmark	11.86¼-11.95¼	11.85¼-11.86¼	¼-2¼oredis	-1.27	¾-2¼dis	-0.55
Ireland	1.1595-1.1760	1.1645-1.1655	0.03-0.07pdis	-0.52	0.22-0.32dis	-0.93
W. Germany	3.09¾-3.14¾	3.10¼-3.10¾	1⅜-1¼pfpm	5.07	3⅜-3¼pm	4.43
Portugal	252.70-256.30	252.70-253.70	52-93cdis	-3.44	195-303dis	-3.93
Spain	205.70-207.85	205.70-206.00	25-46cdis	-2.07	75-100dis	-1.70
Italy	2304-2340½	2308½-2309½	2-7liredis	-2.34	10-17dis	[illegible]
Norway	11.33¾-11.40¾	11.36½-11.37½	4½-5½oredis	-5.47	13½-15dis	-5.01
France	10.47¾-10.63	10.49¾-10.50¾	⅛pm-⅛cdis	-0.21	1½-par	0.26
Sweden	10.84-10.94¼	10.87-10.88	1⅞-3¼oredis	2.83	5⅛-7¼dis	-2.39
Japan	227-229	227¼-228¼	¾-⅝ypm	3.61	2⅝-2⅜pm	4.38
Austria	21.82-22.09	21.82-21.85	8¾-6¾gropm	4.12	24¾-20¾pm	4.11
Switzerland	2.57¾-2.62	2.58-2.59	1⅛-1cpm	5.22	3⅛-3⅜pm	5.71

Belgian rate is convertible francs. Financial franc 65.40-66.50. Six-month forward dollar 1.05-0.98cpm 12 months 2.12-1.92cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

June 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7945-1.8155	1.7995-1.8005	0.11-0.08cpm	0.63	0.46-0.41pm	0.97
Ireland†	1.5415-1.5485	1.5465-1.5475	0.01dis-0.04cpm	0.12	par-0.10dis	-0.13
Canada	1.2290-1.2355	1.2325-1.2335	0.16-0.19cdis	-1.70	0.49-0.52dis	-1.64
Netherlands	1.9350-1.9455	1.9360-1.9370	0.57-0.55cpm	3.46	1.69-1.65pm	3.44
Belgium	36.05-36.25	36.05-36.15	5.50-4.50cpm	1.66	16-13pm	1.60
Denmark	6.57¼-6.60¼	6.58½-6.59	0.40-1.05oredis	-1.32	1.25-1.90dis	-0.96
W. Germany	1.7235-1.7340	1.7240-1.7250	0.60-0.58pfpm	4.10	1.77-1.72pm	4.04
Portugal	140¼-141¼	141-141¼	35-50cdis	-3.62	130-180dis	-4.40
Spain	114.15-114.60	114.25-114.35	15-25cdis	-2.10	58-68dis	-2.20
Italy	1281-1289½	1282¼-1283¼	2.20-3.20liredis	-2.52	7.70-9.70dis	-2.70
Norway	6.27½-6.32	6.31½-6.32	2.70-3.05oredis	-5.48	8.35-8.75dis	-5.44
France	5.83¾-5.86	5.83¼-5.83¾	0.05-0.25cdis	-0.31	0.05-0.35dis	-0.14
Sweden	6.00½-6.05¼	6.04-6.04½	1.30-1.60oredis	-2.88	4.00-4.40dis	-2.70
Japan	125.55-126.70	126.45-126.55	0.38-0.35ypm	3.48	1.13-1.08pm	3.51
Austria	N/A	12.14¼-12.15¼	4.00-3.70gropm	3.80	11.75-10.75pm	3.70
Switzerland	1.4355-1.4445	1.4360-1.4370	0.60-0.55cpm	4.79	1.75-1.70pm	4.79

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 36.30-36.40.

CURRENCY RATES

[illegible]

EURO-CURRENCY INTEREST RATES

June 2	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	7¼-7	7⅞-7¾	8⅛-8	8⅝-8½	9⅛-8⅞	9⅜-9¼
US Dollar	7¾-7⅝	7⅝-7½	7⅞-7¾	7⅞-7¾	7⅞-7¾	8⅜-8¼
Can. Dollar	8¾-8½	8⅞-8¾	9-8¾	9⅛-8⅞	9⅜-9¼	9½-9⅜
D Guilder	3⅝-3½	3⅝-3½	3¾-3⅝	4⅛-4	4⅜-4¼	4⅝-4½
Sw. Franc	2½-2⅜	2½-2⅜	2⅝-2½	2⅞-2¾	3-2⅞	3¼-3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Short sterling very active

TRADING WAS active in short sterling contracts on the Liffe market yesterday, as the pound weakened on the foreign exchanges, and UK bank base rates were increased by ½ p.c., following a signal from the Bank of England.

Three-month sterling futures showed record turnover for the second day running, with total volume of over 42,000. There was also record volume in three-month sterling options, at over 6,500 contracts, compared with 4,701 on April 28.

Most of the turnover in short sterling futures has now moved to September delivery, but there was still good volume in the June month.

June three-month sterling closed at 91.08, just above the day's low of 91.06, compared with 91.73 on Wednesday.

This reflected speculation that yesterday's rise in base rates may not be the end of the upward shift in UK interest rates, but the sharp fall in the price resulted in suggestions that the contract had been oversold.

Dealers said that at present interest rate levels the contract should be around 91.37, and with only 10 days to delivery is now looking for base rates of around 9 p.c. in a very short space of time.

This points to a probable rally today, although sterling continues to give cause for concern.

The next technical resistance point for the pound against the dollar is around $1.7720, and the market now appears to regard the dollar as an attractive alternative to sterling.

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE FT-SE INDEX FUTURES OPTIONS

[illegible]

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

...									
ROYAL DUTCH C	Fl. 230	668	3.20	82	5.90	37	8.50		Fl. 225
ROYAL DUTCH P	Fl. 230	499	8.30	24	13.20	0	14		Fl. 225
ROBECO C	Fl. 95	1	0.30	14	1.40	-	-		Fl. 89.30
UNILEVER C	Fl. 110	126	2.10	38	5	5	6.90		Fl. 104.70
UNILEVER P	Fl. 100	162	1.40	4	4 B	52	5.50		Fl. 104.70

TOTAL VOLUME IN CONTRACTS : 23,519

A = Ask B = Bid C = Call P = Put

BASE LENDING RATES

	%		%		%
ABN Bank	7½	Citibank NA	8	Nat Bk. of Kuwait	8
Adam & Company	7½	City Merchants Bank	8	NatWestminster	8
AAB - Allied Arab Bk	7½	Clydesdale Bank	8	Northern Bank Ltd	7½
Allied Irish Bank	7½	Comm. Bk. N. East	7½	Norwich Gen. Trust	8
Henry Ansbacher	8	Co-operative Bank	*8	PK Finans. Intl(UK)	8½
ANZ Banking Group	7½	Cyprus Popular Bk	7½	Provincial Bank PLC	8½
Associates Cap Corp	10	Dunbar Bank PLC	8	R. Raphael & Sons	7½
Authority Bank	7½	Duncan Lawrie	8	Roxburghe G'rantee	8½
B & C Merchant Bank	8	Equatorial Bank plc	7½	Royal Bk of Scotland	8
Banco de Bilbao	7½	Exeter Trust Ltd	8½	Royal Trust Bank	7½
Bank Hapoalim	8	Financial & Gen. Sec.	8	Smith & Williamson Secs.	7½
Bank Leumi (UK)	7½	First National Bank Plc	8½	Standard Chartered	7½
Bank Credit & Comm	8	● Robert Fleming & Co.	8	TSB	7½
Bank of Cyprus	7½	Robert Fraser & Ptnrs.	8½	UDT Mortgage Exp	‡9.4
Bank of Ireland	7½	Girobank	8	United Bk of Kuwait	8
Bank of India	7½	Grindlays Bank	7½	United Mizrahi Bank	8
Bank of Scotland	8	● Guinness Mahon	7½	Unity Trust Bank Plc	7½
Banque Belge Ltd	7½	HFC Bank PLC	8	Western Trust	8
Barclays Bank	7½	● Hambros Bank	7½	Westpac Bank Corp.	8
Benchmark Bank PLC	7½	Heritable & Gen Inv Bk	7½	Whiteaway Laidlaw	8½
Berliner Bank AG	7½	● Hill Samuel	§8	Yorkshire Bank	8
Brit Bk of Mid East	8	C. Hoare & Co.	7½		
● Brown Shipley	8	Hongkong & Shangh	8		
Business Mtge Tst	8	Lloyds Bank	8		
Cl. Bank Nederland	8	Meghraj Bank Ltd	8		
Central Capital	7½	Midland Bank	8		
● Charterhouse Bank	8	Mount Bnkg Corp.	7½		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 3.00% Savewise 5.66%. Top Tier-£10,000+ instant access 7.50% ‡ Mortgage base rate. § Demand deposit 3.00%. Mortgage 9.125% - 9.5%

MONEY MARKETS

Base rates up to 8%

INTEREST RATES in London continued to move higher yesterday, after the Bank of England signalled to the commercial banks that base rates should be raised by ½ p.c.

The City generally regarded the weakness of sterling as a welcome opportunity for the authorities to nudge interest rates higher. But against the background of strong UK economic growth and upward pressure on inflation, it was questioned whether yesterday's move would prove sufficient to restore confidence in the pound.

Base rates rose to 8 p.c., following the decision by the Bank of England not to intervene in the money market before lunch, but to offer the discount market lending facilities at an increased interest rate.

UK clearing bank base lending rate 8 per cent from June 3

The further upward trend in money market rates later in the day suggests that base rates may yet move higher, influenced by the weaker pound.

Sterling rallied from a low of around DM3.10 on the rise in base rates, but then resumed its slide, leaving dealers speculating that rates may still be increased, without provoking another upward surge in demand for the pound.

Three-month interbank finished at the day's high of 8$\frac{11}{16}$-8$\frac{9}{16}$ p.c., compared with 8-7¾ p.c. on Wednesday, discounting another ¾ p.c. increase in base rates. The price of three-month sterling futures on the London futures market also pointed towards another rise in interest rates.

The Bank of England initially forecast a money market shortage of £150m, but revised this to £250m at noon.

At that time the authorities invited the discount houses to use their borrowing facilities in the afternoon. There was no offer to buy bills from the market, either at noon or after lunch.

The authorities lent £140m to the market at a rate of 8 p.c.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £113m, with a rise in the note circulation absorbing £90m. These factors outweighed Exchequer transactions adding £40m to liquidity, and bank balances above target of £20m.

In New York the US Federal Reserve added liquidity to the banking system, via a $2bn customer repurchase agreement, when Federal funds were trading at 7$\frac{5}{16}$ p.c.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

NEW YORK (Lunchtime)

[illegible]

Fed. funds	7⅜-¼	One year	7.56	10-year	9.04
Fed. funds at intervention	-	Two year	8.12	30-year	9.14

June 2	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.25-3.35	3.30-3.40	3.35-3.50	3.50-3.65	3.70-3.85	4.50
Paris	7¼-7⅜	7¼-7⅜	7$\frac{5}{16}$-7$\frac{7}{16}$	7⅜-7½	7⅝-7¾	7.00
Zurich	1⅝-1⅞	2⅜-2⅝	-	2½-2¾	-	-
Amsterdam	3½-3⅝	3⅞-4	-	4$\frac{1}{16}$-4$\frac{3}{16}$	-	-
Tokyo	3.53125	3.96875	-	3.90625	-	-
Milan	9¾-10¼	10½-11	-	10¾-11¼	-	-
Brussels	4.30	6-6¼	-	6$\frac{1}{16}$-6$\frac{3}{16}$	-	-
Dublin	0½-8¼	7¾-8	7¾-8	7¾-8	8-8¼	-

LONDON MONEY RATES

June 2	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	8¼	8	8⅛	8$\frac{11}{16}$	9⅛	9½
Interbank Bid	2	6½	7½	8⅜	8$\frac{13}{16}$	9⅜
Sterling CDs	-	-	8⅛	8⅝	8$\frac{13}{16}$	9¼
Local Authority Deps.	6½	6¾	7¾	7⅞	8¼	9
Local Authority Bonds	-	-	7½	7$\frac{13}{16}$	8¾	9⅞
Discount Mkt Deps.	7⅜	6¼	7¾	7⅞	-	-
Company Deposits	7	7¼	7⅞	7⅞	8⅛	9
Finance House Deposits	-	-	8⅛	8⅝	9	9½
Treasury Bills (Buy)	-	-	7$\frac{11}{16}$	7$\frac{13}{16}$	-	-
Bank Bills (Buy)	-	-	7⅞	7$\frac{15}{16}$	8⅜	-
Fine Trade Bills (Buy)	-	-	8¼	8$\frac{5}{16}$	9	-
Dollar CDs	-	-	7.45-7.40	7.60-7.55	7.80-7.75	8.20-8.15
SDR Linked Dep Offer	-	-	5⅝	6⅛	6⅜	6⅝
SDR Linked Dep Bid	-	-	5$\frac{5}{16}$	5⅞	6$\frac{1}{16}$	6⅜
ECU Linked Dep Offer	-	-	6$\frac{1}{16}$	6¼	6$\frac{7}{16}$	6⅝
ECU Linked Dep Bid	-	-	5$\frac{13}{16}$	5⅞	6$\frac{1}{16}$	6⅜

Treasury Bills (sell): one-month 7$\frac{11}{16}$ per cent; three months 7$\frac{13}{16}$ per cent; Bank Bills (sell): one-month 7⅞ per cent; three months 7$\frac{15}{16}$ per cent; Treasury Bills; Average tender rate of discount 7.1506 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 31, 1988. Agreed rates for period June 26 1988 to July 25, 1988, Scheme II 9.37 p.c. Schemes II & III: 9.39 p.c. Reference rate for period April 30, 1988 to May 31, 1988 Scheme IV & V 8.114 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 8½ p.c. from June 1, 1988: Bank Deposit Rates for sums at seven days notice 2 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 7½ per cent; one-three months 8¼ per cent; three-six months 8¼ per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent. Under £100,000 6 per cent from May 17, 1988. Deposits withdrawn for cash 5.00 per cent.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

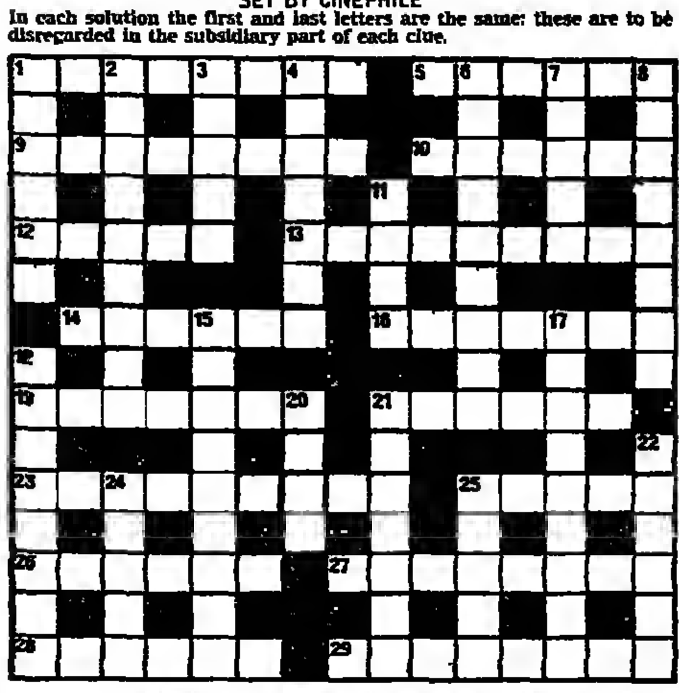
[illegible]

JOTTER PAD

FT CROSSWORD No.6,646

SET BY CINEPHILE

In each solution the first and last letters are the same: these are to be disregarded in the subsidiary part of each clue.



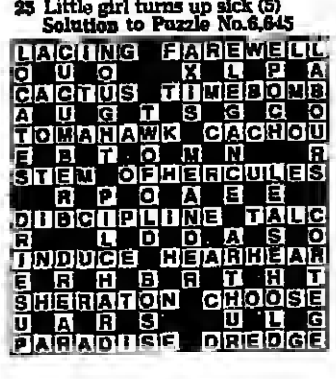
ACROSS

1 Viking 'unter, perhaps, keeps mum (8)
5 Dressed as king in Common Market chaos (6)
9 Identity of people in backwater (8)
10 Drink to birth control pioneer (6)
12 Ooze, upsetting Latin leader (5)
13 I am Kean, revolutionary. I can end drought (4-5)
14 American ailment could be mine (6)
16 Skinless figure in philharmonic orchestra (7)
19 A lot of spiders are a pain to the drum (7)
21 Abominable snowman of the southern Alps? (6)
23 Distant source of waves – farewell and thank you (5,4)
25 Wear away perch (5)
26 Choose one Egyptian Christian (6)
27 Be sick having company with a formal dress (4,4)
28 "O noisy bells,——" (Housman) – journalist hesitating? (2,4)
29 Son of Alexander gives false clue among English upper class (6)

DOWN

1 Hut is to the south-east (6)
2 Smuggler of liquor for new urn during change of menu (3-6)
3 Bond computer on Fleet Island (5)
4 Old country, southern, with a lot of lilac (7)
6 Queen leaving emperor to follow Christ without preparation (9)
7 Stuffing for a river (5)
8 Oriental trees moved from Goldsmith's village (8)
11 Land of one river (4)
15 Little record turned up by 51 for 101 (9)
17 Article in Australia on love, one from an early age (9)
18 Have a child, like a punning grizzly? Hearing's not altogether acute (4,1,3)
20 Saint of Renaissance family (4)
21 Gorgon's in fury, being beheaded by a student (7)
22 Some texture for sixth son? (6)
24 Rising eastward, having been a sucker (5)
25 Little girl turns up sick (5)

Solution to Puzzle No.6,645



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FT UNIT TRUST INFORMATION SERVICE

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-486 4355

TUUT Jun 1	220 0	231.6	.....	3.09

Triton Fd Mngrs. Ltd.
Royal Lon. Hse. Colchester CO1 1RA 0206 76400

Triton General	149 7	159.3	+0 6	1.95

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N 248 3349

Cash & General	60 6	64.2	-0.1	5.75
Accum Units	62 5	66.1	-0.1	5.75
Income	78 0	83.7	-	4.26
Accum Units	80.2	85.1	-	4.26
Smaller Co's	87 0	92.3	+0.3	1.85
Accum Units	87.9	93.2	+0.3	1.85
UK Growth	86 3	91 5	+0.1	2.09
Accum Units	87 4	92.7	+0.1	2.09
Pacific Gold Act	52.3	55.4	+0.8	-

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40033

British Growth	60.5	64.4	02	2.02
Technical Analysis	50.1	53 6	02	2.11

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6064
Advisers: Henderson Crosthwaite Ltd

Friars Hse Cap	180 4	191.9	-	3 87
Friars Hse Inc	156.3	164.5	-	5.27

United Charities Unit Trusts
Unicorn Hse, 252 Romford Rd EC 01-534 5544

United Charities	171.0	182.4	-0.2	4.49

Vanguard Trust Managers Ltd (a)
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

Glenfriars	194 1	206 5	-	1.47
(Accum Units)	198 5	211 2	-	1.47
Far East & Gen	57 6	61.3	+0 4	-
(Accum Units)	57 6	61.3	+0 6	-
Master Portfolio	67 512	69 243	+0 485	2 98

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capitol Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurce (Life & Pensions)

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assc. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd.

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

UK Provident

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.

"Shorts" (Lives up to Five Years)

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
100	99	Treas. 9½pc '88	100		9.47	0.56
102	101	Treas 11½pc 1989	101		11.30	8.77
101	99	Treas 9½pc Cnv 1989	100		9.45	8.83
97	95	Treas 3pc 1989	96		3.09	6.03
102	100	Treas 10½pc 1989	101		10.35	8.95
102	100	Exch. 10pc 1989	100		9.90	9.06
103	101	Exch 11pc 1989	102		10.78	9.10
97	95	Treas 5pc 1986-89	96		5.17	7.57
104	101	Exch 10¼pcCv '89	102		10.02	8.46
107	105	Treas 13pc 1990‡‡	105		12.30	9.10
104	102	Exch 11pc 1990‡‡	102		10.71	9.19
107	105	Exch. 12½pc 1990	105		11.87	9.21
93	91	Treas. 3pc 1990	92		3.24	7.12
99	98	Treas 8¼pc 1987-90‡‡	99		8.30	8.56
102	98	Treas 8pc Cv 1990 ‡‡	99		8.04	8.28
103	100	Treas. 10pcCv 1990	101		9.84	9.21
91	88	Exch 2½pc 1990	89		2.78	7.00
107	105	Treas 11¾pc 1991	105		11.13	9.26
95	92	Funding 5¾pc '87-91‡‡	93		6.14	8.31
90	87	Treas. 3pc 1991	88		3.39	7.37
105	101	Treas 10pc Cv '91 ‡‡	102		9.73	8.94
107	104	Exch. 11pc 1991	105		10.46	9.19
98	95	Treas. 8pc 1991	96		8.27	9.12
113	109	Treas 12¾pc 1992‡‡	110		11.52	9.20
104	101	Treas 10pc 1992	102		9.77	9.21
98	94	Treas. 8pc 1992 ‡‡	96		8.31	9.15
106	102	Treas 10½pc Cv 1992‡‡	104		10.09	9.24
86	83	Treas. 3pc 1992	84		3.55	7.49
112	108	Exch. 12¼pc '92	110		11.14	9.34
117	113	Exch 13½pc 1992	114		11.81	9.35
40	38	Treas. 8¾pc 1993 (40)●	38		0.58	9.27
105	100	Treas 10pc 1993‡‡	103		9.72	9.23

Five to Fifteen Years

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
115	131	Treas 11½pc 1993‡‡	112		11.10	9.34
93	89	Funding 6pc 1993‡‡	91		6.57	7.99
121	116	Treas 13¼pc 1993‡‡	118		11.64	9.41
101	96	Treas. 8½pc 1994	96		8.83	9.35
125	220	Treas 14½pc 1994‡‡	122		11.88	9.43
220	113	Exch 13½pc 1994	117		11.49	9.54
105	100	Treas. 10pc Ln. 1994‡‡	102		9.72	9.37
116	111	Exch. 12¼pc 1994	113		11.01	9.54
101	95	Treas 9pc 1994‡‡	98		9.12	9.26
114	109	Treas 12pc 1995	111		10.75	9.58
83	79	Exch 3pc Gas 90-95	79		3.77	3.76
106	100	Exch. 10¼pc 1995	103		9.88	9.51

BRITISH FUNDS—Contd

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
130	121	Exch. 12pc '13-'17	127		9.44	9.22

Undated

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
44	41	Consols 4pc	43		9.17	–
39	37	War Loan 3½pc‡‡	38		9.99	–
52	48	Conv. 3½pc '61 Aft	51		6.80	–
33	30	Treas. 3pc '66 Aft	32		9.20	–
28	26	Consols 2½pc	27		9.07	–
28	26	Treas. 2½pc	27		9.07	–

Index-Linked

1988 High	Low	Stock	Price £	+ or −	(1)	(2)
121	117	Treas 2pc IL '90(84.6)	120		[illegible]	2.34
103	99	Do 2pc '92‡‡ (97.8)	101		[illegible]	2.92
40	40	Do 2pc '94	40			
139	127	Do. 2pc '96(67.9)	137		[illegible]	3.34
114	103	Do 2½pc '01 (78.3)	112		[illegible]	3.87
111	101	Do. 2½pc '03(78.8)	110		[illegible]	3.91
112	102	Do. 2pc '06(69.5)	111		[illegible]	3.94
105	95	Do 2½pc '09(78.8)	104		[illegible]	3.94
109	99	Do 2½pc '11 (74.6)	108		[illegible]	3.93
90	82	Do. 2½pc '13(89.2)	89		[illegible]	3.91
98	88	Do. 2½pc '16(81.6)	96		[illegible]	3.87
95	87	Do. 2½pc '20 (83.0)	94		[illegible]	3.79
80	73	Do. 2½pc '24 ‡‡(97.7)	79		[illegible]	3.75

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for September 1987: 102.4 and for April 1988: 105.8

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
109	100	African Dv Bk 11¼Ln 2010	104		10.61	10.55
104	96	Asian Dev Bk 10¼pcLn2009	101		10.12	10.10
129	120	Australia 13½pc 2010	126		10.69	10.43
112	103	Do. 11¼pcLn2015	109		10.41	10.35
110	103	Euro Inv Bk 11pc Ln 2002	107		10.27	10.03
105	98	Do. 10¾pc2004	102		10.09	10.02
120	112	Int-Am Dev Bk 12½pc2003	117		10.67	10.20
98	91	Do. 9¾pcLn 2015	95		10.20	10.22
	85	Mlysia 10¼pcLn 2009			11.20	11.25
130	107	Sweden 13½pc Ln 2010	126		10.64	10.35
108	87	Utd. Mexican States 16½pc 2008	108		13.19	13.10

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

AMERICANS – Contd

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-Free to non-residents on application
- ● Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- || No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	68	......
Craig & Rose £1	678	......
Finlay Pkg. 5p	77	......
Holt (Jos) 25p	£11½	......

IRISH

Nat. 9¾% 84/89	£101	......
9pc Cap Ln 1996	£98½	......
Fin. 13% 97/02	£118½	......
Arnotts	320xd	+5
CPI Hldgs	95xd	−2
Carrol Inds	155	+2
Hall (R & H.)	145	+5
Helton Hldgs	48	......
Irish Ropes	170	......
Unidare	395	+5

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp	36
BSR	8
BTR	22
Barclays	33
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit. Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons	38
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	38
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect	32
RHM	38
Rank Org Ord	64
Reed Intnl	34
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45
Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50
Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26
Mines	
Cons Gold	95
Lonrho	28
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
May 23	Jun 2	Jun 3	Jun 13
Jun 6	Jun 16	Jun 17	Jun 27
Jun 20	June 30	Jul 1	Jul 11

*New time dealings may take place from 9.00 am two business days earlier.

Equities firm despite higher base rates but Gilts finish with minor losses

A SOMEWHAT confused trading session in the UK securities markets closed with blue chip equities moving higher as a half point rise in domestic interest rates failed to stem the fall in the pound, while Government bonds shaded lower as analysts asked whether another rate hike might soon prove necessary. The City's nerves were not helped by disclosure of further redundancies at *Chase Manhattan*.

The speedy action by the UK authorities to raise interest rates in the face of the fall in sterling, signalled by the Bank of England in its money market operations yesterday morning, caused some surprise in the City. However, this week's slide in the pound had rendered a rate rise inevitable in the near term, and the implications of yesterday's half point rise to 8 per cent in UK bank base rates were already "in the market".

The big institutions remained cautious, and took profits when the equity market turned off at mid-session.

Some London houses are not convinced by Wall Street's recent firmness. "We have been here before", warned County NatWest WoodMac, pointing to the Street's two similar rises earlier this year. A sluggish start to the new Wall Street session was a restraining factor in equities at the end of the day.

But the pound was the dominating factor throughout. With the UK currency weak overnight in Japan, equities opened firmer and had edged ahead by eight FT-SE points before the Bank's signal on domestic rates pushed share prices downwards. Shares turned easier briefly on the base rate announcements, but then rallied to close firmly as the pound lost ground again, and were led forward at the close by good rises in exporting stocks such as ICI, BAT Industries and Unilever.

The FT-SE 100 Index closed 4.6 up at 1810.3, holding up in 1800 plus territory throughout the day. Seaq volume at 516.2m shares showed a further increase, but remained substantially below the (1bn or so) daily totals of the bull market days.

The takeover spotlight switched back to the oil share sector. Food stocks were less active, except for a momentary burst of excitement in Cadbury Schweppes in mid-afternoon when an ADR trade in the US markets was misreported as 6m ADRs, the equivalent of 60m shares. It took only a few moments for the London houses to spot and confirm that the figure *should have* been 6,000 ADRs, but this was long enough to cause near hysteria among the less well-informed arbirageurs. At 404p, Cadbury Schweppes lost 9. Hanson was also active on the ADR front, as well as in London.

Rowntree shares traded uneasily after the largest of the trade unions representing the workforce abandoned its resistance to the takeover assault on the company, and said it would urge the board to negotiate with either Nestlé or Suchard. The shares edged up ½ to 1038p, as the market waited to see how near £11 a share Nestlé will go when it makes its expected increased bid for Rowntree.

Bonds had another mixed session which ended with losses of about ¼ across the range following the rise in base rates, and the fresh setback in sterling. Prices had opened higher, helped both by firmness in the key US long bond and – at the long end – by the deflationary implications of the base rate hike already signalled in London money markets.

But the trend was quickly reversed and the net losses in shorts indicated the market's concern least another base rate hike might be needed to steady the pound. The long end turned off when the expected retail buyers failed to materialise after the base rate move, and were additionally hurt by a sharp drop in the key US bond.

Index-linked Gilts closed a touch better while awaiting dealings this morning in the newly-tendered £400m of IL 2pc '94 stock.

Enterprise Oil spearheaded a general return to favour by the oil and gas sector with the shares given a twin boost by the latest oil find announced by Amoco, operator of the 15/22–6 well in the North Sea, and by revived talk of a merger with LASMO. The oil find, which flowed at 6,732 barrels a day and in which Enterprise has a 25.77 per cent was said to have been the prime reason for the upsurge in the shares which closed a net 15 higher at 413p. Turnover reached 4.9m shares, just about the biggest recorded in the stock.

British Gas continued to respond to the County NatWest WoodMac buy recommendation and the shares hardened 2 more to 171p with 6.2m traded. Shell attracted renewed American support and settled 7 firmer at 1062p after the company denied US–inspired rumours that it had made a bid approach to Texaco, where arbitrageur Carl Icahn is currently bidding $60 a share.

Calor jumped 10 to 389p, still buoyed by recent buy circulars from Pru–Bache and BZW.

The 13 per cent profits shortfall to £5.21m from Century Oil shocked the market and resulted in a swift and sharp fall in the shares which ended the session 22 off at 163p.

The contestants in the battle for the redevelopment of the the 120-acre King's Cross railway site in London were prominent - Rosehaugh featured strongly at 780p, up 41, as the company, in partnership with Stanhope, won the day. The latter jumped 33 to 321p. In contrast, Speyhawk, the other main contender, closed 21 down at 378p.

Stanhope were also helped by news that details of tha subscription by Olympia and York had been finalised. Proceeds of the investment will provide a major cash injection enabling Stanhope to repay all current borrowing and to establish a significant cash base to fund a development programme.

Hanson took pride of place in the active stocks with some 22m shares moving through the system. Heavy overnight trading in America and reports of further big buying, principally from Kidder Peabody, the US investment house, was largely behind the surge in activity. The Hanson share price closed 5 higher at 134½p.

Hanson is scheduled to meet senior investment managers at a presentation on June 13 which is expected to throw further light on current and future policy.

Commercial Union, the composite insurer, raced up 7 to 370p on turnover much increased at 4.3m shares, following news that Australian Adelaide Steamship group, led by John Spalvin, had upped its stake in CU from 5.18 per cent to 6.031 per cent or 25.4m shares.

The stake news came as no great surprise to traders who had reported strong buying of the shares from one source over the past week or so. Royal Insurance, where Adsteam also holds a notifiable stake, were 3 up at 398p although the holding is thought to have been reduced slightly during recent weeks.

The half–percentage point increase in bank base rates and a fresh wave of buying interest sparked by the recent re–rating of the sector led to renewed gains in the banks.

NatWest, up 6 at 569p, were additionally stimulated by a recommendation by UBS Phillips & Drew for clients to switch into the shares from Lloyds; the latter gave up 4 to 304p on turnover of 2.6m.

Six companies started trading, enjoying mixed fortunes. The USM star was regional newspaper publisher, Southnews, which opened at 173p, a healthy premium on the issue price of 160p. In strong trading the shares closed at 176p. Broking and underwriting group, Domestic & General, was placed on the USM at 165p, but found little interest at its opening price of 176p and the shares hardly traded, ending the day at 175p.

The listlessness pervading the market also affected Scott Pickford, the seismic research company launched on the Third Market at 21p. There was little selling, although as the afternoon wore on increasing interest drove the price up and the shares closed at 24p.

On the main market, housebuilder Prowting met with disdain at its opening price of 185p (issued at 165p), but as the price fell back buyers appeared at the 170-173p level and thereafter a good two-way market developed as stags took profits. The shares closed at 172p. Engineering group, ASW Holdings, opened at 154p, a 4p premium on the offer price, and stayed there all day.

Heat systems specialists, Isopad International, had a disappointing launch, closing 5 below the offer price of 120p in a torpid market.

Allied Lyons rose in early trading on news that Bond Corporation Holdings had issued a £100m 10-year Eurobond exchangeable into Allied shares at 489p. First reaction was that this could hasten a bid for Allied by Bond, but on reflection analysts decided a bid was less likely and that Bond would turn his attention elsewhere. Turnover in Allied shares was heavy at 6.1m, but the share price drifted off 3 to 436p.

There was also heavy volume in Guinness, with 3.5m shares changing hands in sizeable lots as the market mulled over rumours of a possible friendly bid for Moet Hennessy. The rumours were traced to France and discounted, after which trading slackened and the shares closed a penny off at 323p. Fading bid hopes pushed Scottish & Newcastle down 7 to 312p, but market-makers still rate it the most likely target in the sector and think the stock will hold around the 310p level.

The moves to higher interest rates stifled an early improvement in the major International stocks. Glaxo rallied to 925p, before falling back to close unaltered on the day at 918p. BOC, however, moved up 8 to 388p in a volume of 2.8m shares, stimulated by a report that Air Products, a US competitor, had reduced its discounts to customers on industrial gases.

BTR also managed a rise of a few pence to 267p in response to news of the sale by BTR Nylex of its 50 per cent interest in New Zealand Window Glass company to Pilkington (NZ), a subsidiary of Pilkington UK.

The stores sector was said by dealers to have held up well in the face of the interest rate rise.

Storehouse's preliminary results were given a lukewarm reception by dealers who said stripping out the property disposals worth around £8m left a figure of £113m broadly in line with expectations.

GEC headed the turnover table in the electronics sector with 7.5m shares traded, including a single deal of 2.5m at 148p. Ferranti followed closely with 6.7m shares changing hands and the stock closed a shade harder at 79p despite a negative circular from James Capel.

Thorn EMI jumped 7 to 644p, buoyed by the recent Morgan Grenfell "buy" recommendation and news that Emess had launched a counter offer to that of Thorn for French lighting equipment group Holophane valuing the French group at £69.4m.

Ruberoid remained the centre of speculative activity in the wake of Raine Industries' recently acquired stake with the shares moving ahead strongly to close 13 higher at 231p, after 235p. There was lively business in BPB, up 6 at 288p on turnover of 2.1m shares, with most of the demand emanating from one source.

Currency influences continued to boost ICI, the shares staging a notable improvement of 19 to 994p with volume expanding to 2.3m.

Food manufacturers suffered from further end-account selling - "a dreary day" said one dealer. Business picked up strongly in food retailers, however, with a particularly heavy turnover recorded in Argyll which settled 2 off at 195p; 6m shares changed hands including an agency cross of 2.3m.

RHP, provided the main source of interest in the Engineering sector, moving ahead strongly on speculative buying, including some for "new-time", amid talk that Williams Holdings had sold its small stake in the company. This gave rise to rumours of a possible bid from Lucas and left RHP 19 to the good at 205p.

Zetters jumped 7 to 110p and Zetters Leisure moved up from 111p to 120p before being suspended at the company's request "pending an announcement". Talk in the market suggested Zetters Leisure could well have received a bid approach.

The motors sector was lifted by Plaxton's good interim figures and the shares rose 10 to 185p. ERF Holdings leaped 43 to 385p in a thin market as dealers chased stock.

Business in Traded options comprised 20,973 calls and 7,263 puts giving an overall total of 28,236 contracts. There was heavy trading in Hanson where activity was concentrated in the calls; these totalled 4,549 while there were 127 puts.

Traditional Options

- First dealings May 31
- Last dealings June 10
- Last declarations Sept 1
- For Settlement Sept 12

For rate indications see end of London Share Service

Interest failed to expand in the Traditional option market. Stocks to attract money for the call included Courtaulds, Corton Beach, Owners Abroad, Amari, Amber Day, Tuskar Resources, Wilshaw, Norfolk Capital, New England Properties, Ranglan, BOM Holdings and TSB. A put was arranged in Reuters B, while a double option was transacted in Racal.

FINANCIAL TIMES STOCK INDICES

	June 2	June 1	May 31	May 27	May 26	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	89.50	89.60	89.97	89.91	90.07	92.26	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.38	98.36	98.63	98.62	98.67	98.21	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1443.4	1439.6	1427.5	1430.0	1430.4	1739.6	1478.7 (14/3)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	224.0	224.5	217.3	215.7	216.0	389.7	312.5 (7/1)	195.9 (13/5)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.58	4.59	4.64	4.64	4.64	3.28				
Earnings Yld. % (full)	11.76	11.80	11.93	11.92	11.92	7.91				
P/E Ratio (net)(*)	10.40	10.37	10.26	10.26	10.27	15.59				
SEAQ Bargains (5pm)	27,761	23,729	23,984	21,504	21,326	41,645				
Equity Turnover (£m)	-	-	1012.59	914.14	1135.41	1440.92				
Equity Bargains	-	-	26,408	24,168	25,270	52,755				
Shares Traded (mil)	-	-	366.5	348.9	423.7	618.7				

S.E. ACTIVITY

Indices	June 1	May 31
Gilt Edged Bargains	-	105.3
Equity Bargains	-	171.6
Equity Value	-	2046.7
5-Day average		
Gilt Edged Bargains	-	113.0
Equity Bargains	-	166.3
Equity Value	-	2179.0

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1446.4	1444.9	1441.4	1443.0	1441.7	1441.4	1437.9	1441.0

Day's High 1447.4 Day's low 1437.8

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil – 10.30.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (139).

AMERICANS (15) CANADIANS (5) BANKS (5) BREWERS (2) BUILDINGS (8) CHEMICALS (6) STORES (8) ELECTRICALS (9) ENGINEERING (5) INDUSTRIALS (17) INSURANCE (2) LEISURE (6) MOTORS (5) NEWSPAPERS (1) PAPERS (1) PROPERTY (11) SHIPPING (1) TEXTILES (5) TRUSTS (11) OILS (8) OVERSEAS TRADERS (1) MINES (10) THIRD MARKET (2).

NEW LOWS (22).

BRITISH FUNDS (1) Treas. 8¼pc 1993, LOANS [illegible]

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Thursday June 2 1988 Index No.	Day's Change %						Wed Jun 1	Tue May 31	Fri May 27	Year ago (approx)
FT-SE 100 SHARE INDEX ♦	1810.3	+4.6	1813.6	1802.6	1805.7	1784.4	1783.7	1785.3	1787.9	2214.2	

♦Opening Index 1813.5; 10 am 1811.0; 11 am 1806.8; Noon 1808.0; 1 pm 1806.3; 2 pm 1805.9; 3 pm 1802.8; 3.30 pm 1804.6; 4 pm 1806.1

FIXED INTEREST

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.
CONSTITUENT CHANGES: Dubilier International (S) has been deleted and replaced by Peek (S).

LONDON TRADED OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*436)	390	55	67	73	2½	8	15
	420	30	43	53	11	17	25
	460	10	23	33	33	38	43
Brit. Airways (*144)	130	15	-	-	3	-	-
	140	7	13	17	7	10	13

June 2 Total Contracts 28,236 Calls 20,973 Puts 7,263
FT-SE Index Calls 513 Puts 1976
*Underlying security price.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	65	38	10
Corporations, Dominion and Foreign Bonds	13	20	21
Industrials	363	419	772
Financial and Properties	176	127	351
Oils	35	26	45
Plantations	0	3	10
Mines	43	58	90
Others	146	30	99
Totals	840	721	1,398

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · GERMANY (continued) · ITALY · NETHERLANDS (continued) · NORWAY · SPAIN · SWEDEN · SWEDEN (continued) · SWITZERLAND · SOUTH AFRICA

[illegible]

CANADA

TORONTO

2pm Prices June 2

Quotations in cents unless marked $.

[illegible]

OVER-THE-COUNTER

Nasdaq national market. June 2

Continued from page 43

[illegible]

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Acre Oil	200	+	6
BAT Inds.	429	+	13
BOC	386	+	8
Calor	388	+	18
Comm. Union	370	+	7
E.R.F.	385	+	43
Enterprise Oil	415	+	10
Plaxton	185	+	10
RHP	206	+	20
[illegible]	780	+	41
Ruberoid	231	+	15
Stanhope Props	321	+	33
Zetters	119	+	7

FALLS

Exch. 11% 1991	£105 3/16	−	5/16
Cadbury Schweppes	404	−	9
Carlton Comm.	793	−	12
Century Oils	163	−	22
Harrisons & Cros.	631	−	15
Reed Intl.	418	−	7
[illegible]	312	−	7

TOKYO – Most Active Stocks

Thursday, 2 June, 1988

	Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	167.21m	465	unch
Toshiba	110.27m	897	+28
Nippon Kokan	99.44m	438	-5
Toray	92.72m	931	+22
Nippon Steel	73.05m	488	-1
Sumitomo Metal	59.88m	413	-1
Kobe Steel	53.53m	381	-4
Onoda Cement	48.08m	1,050	+40
Nippon Yusen	47.38m	711	+11
Fuji Elec	46.63m	745	+6

JAPAN · AUSTRALIA · AUSTRALIA (continued) · HONG KONG · SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

INDICES

NEW YORK — DOW JONES

	Jun 1	May 31	May 27	May 26	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2064.01	2031.12	1956.44	1966.75	2110.08 (12/4)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	87.66	87.20	87.18	87.31	91.25 (3/3)	86.12 (4/1)	–	–
Transport	842.44	826.31	804.66	800.33	904.12 (23/3)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	177.93	176.33	170.87	170.34	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2076.28 (2034.50) Low 2021.34 (1959.28)

STANDARD AND POOR'S

	Jun 1	May 31	May 27	May 26	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	266.69	262.16	253.42	254.63	271.55 (13/4)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	308.04	302.67	292.55	294.31	316.53 (13/4)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	24.05	23.59	22.80	22.88	24.05 (1/6)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	150.34	148.03	143.66	144.23	153.20 (13/4)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	298.29	294.19	290.50	292.06	306.59 (12/4)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	374.81	370.34	366.66	367.29	383.41 (13/4)	331.97 (12/1)	455.26 (26/8/87)	54.87 (31/10/72)

	May 20	May 13	May 6	year ago (approx.)
Dow Industrial Div. Yield	3.68	3.6	3.54	2.93

	May 25	May 18	May 11	year ago (approx.)
S & P Industrial div. yield	3.29	3.30	3.28	2.52
S & P P/E ratio	13.29	13.21	14.51	23.17

TRADING ACTIVITY

† Volume Millions

	Jun 1	May 31	May 27
New York	236.007	247.610	134.483
Amer	11.751	9.451	7.150
OTC	136.779	106.397	87.913

NEW YORK	Jun 1	May 31	May 27
Issues Traded	1,970	1,926	1,882
Rises	1,287	1,201	615
Falls	323	322	762
Unchanged	360	403	505
New Highs	20	9	7
New Lows	6	9	13

CANADA

TORONTO

	June 1	May 31	May 30	May 27	1988 High	1988 Low
Metals & Minerals	2825.2	2820.7	2770.5	2646.8	[illegible]	2220.7 (8/2)
Composite	3379.4	3349.2	3357.5	3373.1	3402.4 (12/4)	2977.9 (8/2)
MONTREAL Portfolio	1623.98	1608.07	1569.01	1558.77	1681.54 (12/4)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Wednesday

	Stocks traded	Closing price	Change on day
[illegible]			

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

	June 2	June 1	May 31	May 30	1988 High	1988 Low
AUSTRALIA All Ordinaries (1/1/80)	1564.1	1586.1	1566.9	1540.9	1586.1 (1/6)	1170.7 (10/2)
All Mining (1/1/80)	761.2	771.0	752.0	745.9	773.6 (14/1)	532.4 (10/2)
AUSTRIA Credit Aktien (30/12/84)	(c)	173.55	173.35	172.84	178.92 (21/3)	163.98 (12/2)
BELGIUM Brussels SE (1/1/80)	4740.6	4721.3	4688.5	4659.8	5043.1 (9/3)	3608.35 (4/1)
DENMARK Copenhagen SE (3/1/83)	213.50	215.06	214.00	211.57	215.06 (1/6)	180.68 (4/1)
FINLAND Unitas General (1975)	708.4	703.6	701.1	698.1	708.4 (2/6)	530.6 (15/1)
FRANCE CAC General (31/12/82)	338.9	340.9	332.7	328.1	340.9 (1/6)	251.3 (29/1)
Ind. Tendance (31/12/87)	123.5	124.4	122.6	121.9	124.4 (1/6)	89.7 (29/1)
GERMANY FAZ Aktien (31/12/58)	(c)	459.91	454.19	448.57	476.37 (18/3)	396.40 (29/1)
Commerzbank (1/12/53)	(c)	1401.0	1381.1	1363.0	1457.5 (18/3)	1207.9 (29/1)
HONG KONG Hang Seng Bank (31/7/64)	2546.67	2516.24	2496.68	2488.99	2684.13 (14/4)	2223.56 (8/2)
ITALY Banca Com. Ital. (1972)	484.21	476.08	464.10	461.62	546.07 (18/3)	423.91 (9/2)
JAPAN** Nikkei (16/5/49)	27869.36	27703.91	27416.70	27223.10	27869.36 (2/6)	21217.04 (4/1)
Tokyo SE New (4/1/68)	2163.55	2151.17	2128.58	2111.31	2213.08 (2/5)	1690.44 (4/1)
NETHERLANDS ANP-CBS General (1970)	248.0	246.9	243.8	241.4	280.3 (24/2)	205.7 (4/1)
ANP-CBS Industrial (1970)	205.3	204.4	202.4	200.8	211.7 (14/4)	157.9 (11/1)
NORWAY Oslo SE (4/1/83)	400.68	395.96	389.11	392.83	412.04 (11/4)	327.78 (28/1)
SINGAPORE Straits Times Ind. (30/12/66)	1020.92	1006.44	999.29	(c)	1020.92 (2/6)	833.60 (4/1)
SOUTH AFRICA JSE Gold (28/9/78)	1248.0	1264.0	(c)	1245.0	1277.0 (25/5)	1154.0 (4/5)
JSE Industrial (28/9/78)	1580.0	1587.0	(c)	1563.0	1608.0 (25/5)	1387.0 (12/2)
SPAIN Madrid SE (30/12/85)	(c)	286.25	281.43	276.52	286.25 (1/6)	235.50 (4/1)
SWEDEN Jacobson & P. (31/12/56)	2982.6	2994.2	2971.6	2947.6	2994.2 (1/6)	2148.5 (4/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	518.9	521.3	515.4	(c)	539.5 (18/3)	466.6 (13/1)
WORLD M.S. Capital Intl. (1/1/70)	453.8	448.2	446.5	440.6	463.4 (13/4)	401.0 (21/1)

**Saturday May 28: Japan Nikkei 26962.50, TSE 2104.41

‡ Subject to official recalculation

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

Closing Prices June 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
26	14	AAR s	.36	1.4	21	303	23¾	24⅛	25¼	+ ⅛
13⅛	6¼	ACMIn n1.09e		9.4		450	11⅝	11½	11⅝	
12⅛	10¼	ACMSc n1.26		11.		499	11¼	11⅛	11⅛	
19⅛	10	ACMSp n				711	10	10	16	
27	19½	AGS			19	2706	24½	22	24⅛	+ ⅞
7⅞	2⅝	AMCA				32	3	5	3	
6⅞	5¼	AM Intl				674	4	3⅞	4	
28½	17	AM Intl pf	2	11		31	19	18½	19	+ ⅞
65½	32¾	AMR			11	5560	44¼	43½	44⅛	+ ½
27¼	24	ANR pf	2.32	10.		3	24½	25½	20¼	
24¼	19	ANR pf	2.12	9.2		8	23⅛	24⅛	23⅛	
11⅛	5¾	ARX			10	226	7⅞	7¼	7⅞	
72⅞	40⅛	ASA	3	6.5		1332	46½	44	46⅛	−1⅝
22⅞	9½	AVX			13	400	17⅝	17⅞	17½	+ ¼
66⅛	40	AbtLab	1.20	2.5	16	9546	48⅛	47	47¼	−1⅛
28	15⅛	Abitibi g	1			74	17	16⅞	16⅞	
16¼	8½	AcmeC	.40	3.0		66	11¼	11⅛	11¼	
10½	0⅝	AcmeE	.32b	4.7	21	1	6⅞	6⅞	0⅞	
20	14⅛	AdaEx	3.05e	19.		119	16	15¾	15⅞	
24⅞	7½	AMD				6426	15⅛	15⅝	15¼	− ⅛
56⅛	26¼	AMD pf	2	7.4		265	41¼	40⅛	40¼	− ¼
11⅞	4⅛	Adobe			11	70	7	6⅞	7	+ ⅛
20¼	10¼	Adob pf	1.84	10		11	17⅞	17¼	17⅞	− ¼
21¼	17½	Adob pf	2.40	11.		25	21	20⅞	21	− ¼
13⅛	5⅞	Advest	.12	3.0	6	303	6½	6⅛	6⅛	− ¼
64¼	39½	AetnLf	2.76	8.2	8	2913	44⅝	44¼	44¼	− ¼
50	20¼	AetL pfC	5.45e	5.9		2	92	92	92	−1
83½	41	AhlPub	.40b	.7	40	217	66⅛	14¼	54¼	− ⅛
23¾	13	Ahmans	.88	5.6	11	3632	10⅞	15⅛	15¼	− ¼
4¼	1¼	Aileen				46	3¼	3⅞	3⅛	− ⅛
53¾	26	AirPrd	1	2.2	13	747	40⅛	45½	46⅞	− ⅛
54½	11¼	AirbFrt	.60	3.3	24	149	10¼	17⅞	16	− ¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

AMEX COMPOSITE PRICES

Closing Prices June 2

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OVER-THE-COUNTER

Nasdaq national market, 3pm Prices June 2

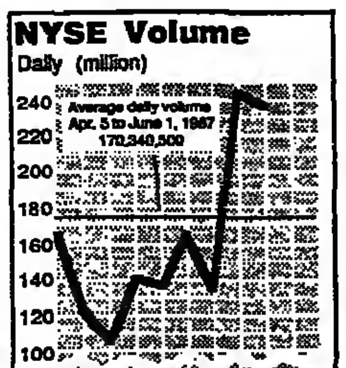
Continued on Page 42

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMERICA

Dow and bonds slip as buying runs out of steam



Wall Street

THE SUBSTANTIAL buying of stocks and bonds this week ran out of steam yesterday as traders took the opportunity to take profits after two days of significant price gains, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 11.56 points lower at 2,052.45 and the US Treasury bond market was quoted as much as ¾ point lower in late trading. The Treasury's benchmark 30-year issue was quoted ¾ point lower for a yield of 9.15 per cent, having risen hy 1½ points on Wednesday.

Traders attributed yesterday's more modest performance on both markets largely to a reaction to hefty price gains on Tuesday and Wednesday and to a natural caution prior to today's May unemployment figures.

There may also have been some reaction to a dip in the dollar against most major currencies after widespread rumours that the US Federal Reserve had been selling dollars in the New York currency market, at least against the Yen and the D-Mark.

The dollar closed below its highs of the session of Y126.70 and DM1.7332 at Y126.175 and DM1.72075.

The major reason for the strength of the dollar recently has been firm short-term US interest rates. Yesterday, the overnight Fed Funds rate slipped back to 7⅞ per cent after the US Federal Reserve announced it was adding $2bn in reserves to the banking system, a move that surprised some analysts because the Fed Funds were trading at 7⅝ per cent; many believe this to be the central bank's target.

Others believe the Fed's recent moves to tighten monetary policy were more modest than consensus opinion suggests and that the Fed could still be targeting funds at 7¼ per ceot.

Foreign exchange dealers said whatever intervention the Fed made yesterday seemed to have heen very modest hut it was enough to take upward pressure off the dollar. Any dollar sales by the Fed appeared to be designed to stabilise the US currency and take tbe edge off speculative demand prior to today's unemployment figures. The danger of any fast rise in the dollar is that it could then be left very vulnerable to a correctioo oo had news.

The equity market had a relatively volatile day, first dropping 15 points, then recovering to stand slightly higher before slipping back again in afternoon trading. Around 195m shares changed hands but, as in many recent trading sessions, this total was inflated by activity related to capturing dividend yields.

Among blue chip issues, International Business Machines was quoted $½ lower at $112⅝. IBM yesterday introduced an expansion of its PS-2 range of personal computers. American Telephone & Telegraph fell $¾ to $27, Eastman Kodak was up $⅞ at $43⅞ and Proctor & Gamhle was $½ lower at $77½.

Burlington Northern added $1¾ to $69¼ after the company announced a restructuring which involves the consolidation of its natural resources operations into a separate unit and the sale of a 13 per cent stake in the unit to the public.

The retail sector was featured yesterday as many department store chains announced their latest sales figures. Most retail shares dropped somewhat as they reported modest sales in May. Sears Roebuck dropped $⅝ to $35⅛, J C Penney, which reported that sales had fallen 1.2 per cent last month, fell $1⅛ to $47⅞ and Wal-mart dipped $⅜ to $28⅞. The latter announced a 27 per cent increase in its sales compared with May last year.

Texaco dropped $1¼ to $50⅞. Mr Carl Icahn said that he would sell his $1.8bn stake in the company if he lost his proxy fight with Texaco's management.

Canada

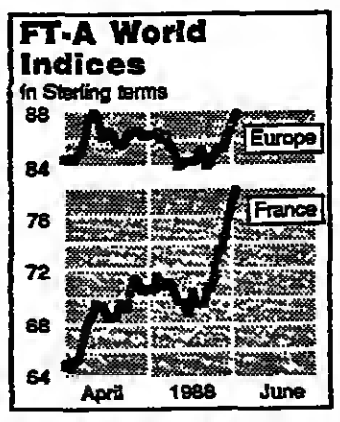
TORONTO share prices posted a strong advance, pulled higher by broadly rising mines, metals and financial services issues.

The composite index, which had fallen about six points in earlier trading, gained 26.97 points to 3,306.40. Advances outnumbered declines by 467 to 351 on heavy turnover of 33.5m shares.

Among golds, Placer Dome gained C$⅝ to C$17¼, International Corona rose C$¼ to C$9½ and LAC Minerals climbed C$1⅛ to C$15¼.

George Graham explains why France has shot up 10 per cent in the last month

Wistful memories of bullish days in Paris



IN THE month since President François Mitterrand wiped out his right wing rival in the first round of the French presidential election, the Paris stock market has barely drawn breath in its climb of 10 per ceot.

Wistful memories of the sustained bull market in Mr Mitterrand's first seven-year term have even re-emerged in some quarters.

Investors have been unshakeable in their belief that the socialists of 1988, unlike those of 1981, are good liberals who will not overturn the works of the ousted right wing government of Mr Jacques Chirac and who will not do anything to npset the mood of the market – with the small exception of the wealth tax, which does not appear to worry traders unduly.

Mr Pierre Beregovoy, the new finance minister, has become irritated by this attitude, and wants to underline the fact that he is not simply following the same policy as his predecessor, Mr Edouard Balladur.

"People say that Beregovoy and Balladur follow the same policies," Mr Beregovoy grumbled yesterday. "Not at all.

"I have never devalued the franc, for one thing. Before, the share prices of the privatised companies fell, now they have risen again. And the budget deficit has not really been reduced since 1986, it has only had a reduction in form."

Although the new Government of Mr Michel Rocard has something of the air of a caretaker administration, waiting for the results of the parliamentary elections which take place over the next 10 days, Mr Beregovoy has already managed to do a number of things that have pleased the market: some further small relaxations in exchange controls, the maintenance of Mr Balladur's budget for 1988 and a ¼ point reduction in money market interest rates.

But there are some prophets of caution who feel that France is merely catching up. The recovery in most other markets has been spread more evenly over the months since the October crash, but was held back in France by political uncertainty.

"The international environment is not the same as in 1984 or 1985. The French market is still a long way from its peak, and when we get back to international levels of valuation there will be some falling back," said Mr Michel Vigier of broker Cholet Dupont.

With other European markets, ignored in recent weeks, now also coming back into action, some of the international institutions are now taking profits in France and switching attention elsewhere.

"In the longer term it is one of the markets we like best, but it has been overbought, and there could be a 5 per cent fallback," says Mr Joe Hall of Warburg/Bacot-Allain.

Both he and Mr Vigier note there are signs of froth in the stories used in the marketplace to justify some of the more dramatic price rises, fed by takeover speculation or by guesswork about the Government's plans for the "hard cores" of the privatised companies.

"France is much closer to Germany than to Britain when it comes to takeovers. There is a lot of wishful thinking in the takeover speculation," says Mr Vigier.

Most brokers therefore dismiss rumours surrounding Moët Hennessy-Louis Vuitton, believing that the origin of its sharp rise over recent days is to be found in a buy recommendation from Nomura in Japan.

Whiskey bid stirs up Dublin

By Our Dublin Correspondent

THE DUBLIN stock exchange missed ont on most of the mergers and takeover mania of recent times. Aside from housebuilder Abbey's successfnl defence three years ago against French Kier, the UK construction gronp, things have continned fairly sedately.

This week it was all different, with news of a hostile I£198m (£168m) bid for Irish Distillers, which produces all the leading brands of Irish whiskey. The hid, announced on Monday, has helped push the already strong market up about 6 per cent since the start of the week, with the Davy index 40 points higher at 757.

The hid is a joint ooe between Cantrell and Cochrane, and Gilbey's of Ireland, the ultimate parents of which are Allied Lyons and Grand Met respectively. Guinness is also involved, with a 49.8 per cent holding in C and C.

Distillers' shares have soared 85p on the week to I£3.63 yesterday, on investors' calculations that the joint bidders would have to improve their cash offer of I£3.15 per share. The bidders already have 20 per cent, thanks to fruit importer FII/Fyffes, which sold its stake to them for a profit of I£10.4m.

The market has also gained from the existing exchange controls, under which Irish institutions cannot invest more than 12.5 per cent of their holdings abroad. The feeling is that, in the event of a takeover, most of the cash from the institutions' 65 per cent stake in Distillers will make its way into other Dublin stock.

And Distillers may not be the only takeover target. Waterford Glass is up 8 per cent on the week, from I£1.11 to I£1.20 on bid rumours, while further cheer has come from the latest cut in base rates to 8 per cent, a level not reached on a sustained basis since 1972.

ASIA

Nikkei hits all-time high as investor enthusiasm grows

Tokyo

BUYING enthusiasm gathered momentum and drove sbare prices to an all-time high In Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average rose 165.45 to 27,869.36 after hitting a high for the day of 27,943.12 and a low of 27,720.30. Volume totalled 1.9bn sbares compared with Wednesday's 2.6bn shares. Stocks making gains outnumbered losers by 482 to 428.

Spurred by Wall Street's sharp overnight rise, whlcb had been prompted hy falling long-term interest rates, individual investors and business corporations stepped up buying, and institutional investors, who had been acting cautiously, also began to place buy orders.

Interest centred on giant-capitals, high-technology stocks and issues with specific incentives.

Concern over higber prices began to grow In mid-morning, however, when the Nikkei average neared the 28,000 mark, triggering profit-taking focused on large-capital stocks.

After tbe market close, the Tokyo stock exchange announced an increase in the margin requirement ratio from 60 per cent to 70 per cent, beginniog on Friday, in an apparent move to cool overheated trading.

On the exchange floor, large-capital stocks fared well in early trading, but came under profit-taking pressure later. Kawasaki Steel topped the active list with 167m shares changing hands, but closed unchanged at Y465, after gaining Y10 to reach a record Y475.

Nippon Kokan, which rose Y5 briefly, ended Y5 lower at Y438, while Nlppon Steel and Sumitomo Metal Industries each finisbed Y1 lower at Y488 and Y413.

Buying Interest spread to some syntbetic fibre Issues, which had reported good business performances. Toray gained Y22 to Y931 and Mitsubishi Rayon Y11 to Y657.

Some small- and medium-sized issues with specific incentives regaioed popularity. Nippon Yusen and Kawasaki Kisen advanced Y11 to Y711 and Y43 to Y375 respectively as investors responded to their plans to advance Into the marine leisure business. Cosmo Oil moved up Y57 to Y835 on speculation over a plan to redevelop its subsidiary's factory site.

Bond prices continued to rise, supported by tbe dimlnishing possibility of a US official discount rate hike.

The yield on the beochmark 5.0 per cent government bood, due in December 1997, declined to 4.565 per cent from 4.635 per ceot at Wednesday's close.

Many dealers forecast higber bond prices oext week, if the May US employment figures released on Friday do not show signs of inflationary pressure there.

Osaka Securities Exchange prices kept on rising, bolstered by Wall Street's continued advance. The 250-issue OSE stock average climbed 157.39 to 27,534.15, on an estimated volume of 213m shares, down 32.5m.

Kisbu Paper scored a maximum allowable single-day gain of Y104 to Y1,030, while Morita Fire Pump drew speculative interest, closing Y130 higher at Y1,620. Matsumura-Gumi, however, was hit by profit-taking, shedding Y70 to Y980.

Australia

NERVOUSNESS about large gains on Wall Street and about Australia's rise to its highest level since the market crash in October led to profit-taking, putting an end to the streak of nine consecutive rises. The All Ordinaries index lost 22 to 1,564.1.

News Corporation fell 30 cents to A$11.40 and Bond Media lost 2 cents to 60 cents.

Bell Resources, in which Mr Alan Bond, the brewing and mining magnate, recently took a 6.9 per cent stake, rose 2 cents to A$1.87, while its parent company, Bell Group, slipped 8 cents to A$1.92.

Hong Kong

SHARP gains in Tokyo and on Wall Street led to higher share prices in heavy trading as local investors and foreign institutions shed their caution and returned to the market.

The Hang Seng index gained 30.43 to 2,546.67 on turnover worth HK$1.2bn, an increase of HK$405m since Wednesday.

SOUTH AFRICA

PLATINUM and gold shares fell a little in Johannesburg yesterday as platinum and bullion prices slipped from recent highs.

Trading was quiet with little news to affect stocks.

Gold stocks saw Vaal Reefs off R2 to R258 and Ofsil R2 at R83.

De Beers, the diamond stock, was unchanged at R33.85 after active trading from Europe.

EUROPE

Profit-taking eats into recent gains

PROFIT-TAKING reduced recent gains on several European bourses yesterday, and confidence was bruised by the weaker opening on Wall Street. Frankfurt and Madrid were closed for regional holidays.

MILAN was again buoyed by overnight gains on other main bourses and share prices closed higher, with the MIB index climbing 17 to 1,001 in moderate volume.

But speculative sbort selling and some profit-taking took equities lower after-hours, and worse-than-expected news on mutual fund redemptions left a cloud over the market.

Mutual funds saw net redemptions worth L1,536bn last month, almost double the L774bn seen in April. Gross redemptions reached L1,975bn, against L1,250bn in April, while gross purchases fell to L439bn from L476bn.

Among the main share price movements yesterday were chemicals and defence group Snia, np L67, or 3.3 per cent, at L2,041 and chemicals group Montedison, L41 higher at L1,561.

PARIS slipped in moderate volume as the market consolidated on receot gains and as Wall Street opened weaker on profit-taking. The CAC index lost 2 to 338.9 and the Indicateur de Tendance eased 0.9 to 123.5.

Schnelder rose FFr10 to FFr310.10 on news that the directors of its takeover target, Télémécaniqne, were planning an FFr8bn managemeot huy-out.

BRUSSELS rallied slightly towards the end of the session, but shares made only small gains, in spite of the strength of Wall Street the previous day.

Volume fell back from Wednesday's level – but still exceeded that of recent weeks. The cash market index rose 19.3 to 4,740.6.

Oil group Petrofina rose BFr25 to BFr11,475, oo moderate volume of 13,000 shares, amid speculatiou that a benign buyer is building up a stake. The shares have now recouped the value of last week's dividend payout.

Solvay, the chemical group, was unchanged at BFr12,375. It said its US sobsidiary, Solvay America, had sold its preferred stock in CCPC Chemical to Occidental Petroleum for $115m.

Metals group Bekaert, which has appeared on several brokers' buy lists lately, continned to rise sharply, adding BFr200 to BFr10,200. Demand has been fuelled by optimism over its mid-term prospects.

Fabriqne National Herstal reached BFr760, a gain of BFr2. The company said it was seeking partners for its arms and aeronautics division.

London

BLUE CHIPS rose in a market preoccupied with the state of sterling after a ½ point cut in interest rates failed to stem the currency's fall. Exporters ICI, BAT and Unilever gained ground and the FT-SE 100 index closed 4.6 up at 1,810.3.

Groupe Bruxelles Lambert, whicb has suggested there are lucrative opportunities for development of its media and audio visoal interests in West Germany, was nncbanged at BFr3,075.

AMSTERDAM opened higher but fell back later in the day on profit-taking and investor concern over Wall Street's weak opening. The CBS all share index eased 0.2 to 85.1.

Royal Dutcb closed up Fl 1.30 at Fl 225 after its denial of rumours in New York that it was approached by Texaco to act as a friendly bidder to counter Mr Carl Icahn's hostile bid.

Turnover on the bourse fell to Fl 23.4hn last month from Fl 25.9bn in April, according to bourse statistics released yesterday.

ZURICH saw its turnover weakened by the holiday in parts of Switzerland and West Germany, and prices ended mixed. The Crédit Suisse index slipped 0.9 to 449.2.

In the food sector, Nestlé and Jacobs Suchard, rival bidders for Rowntree of the UK, lost early slight gains. Nestlé closed SFr30 lower at SFr8,300 and Snchard fell SFr100 to SFr7,500. The European Commission officer responsibla for competition policy said there was no reason to beliave the EC would intervene in the Rowntree takeover battle.

STOCKHOLM ignored tha gains on Wall Street and in Tokyo and closed lower in active trade.

The fall was caused by tha weaker krona and by profit-taking following recent good gains.

Asea's restricted A shares lost SKr8 to SKr392. The company's engineering suhsidiary, Asea Brown Boveri, whicb is jointly ownad with Swiss company Brown Boveri and began formal operations at the atart of this year, said it would not report first quarter results.

HELSINKI reacbed another record high in active trade. The Unitas all-share index rose 4.8 to 708.4.

OSLO closed firmer, with the all share index gaining 1.4 to 285.37.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of stocks per grouping	THURSDAY JUNE 2 1988 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	WEDNESDAY JUNE 1 1988 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1988 High	1988 Low	Year ago (approx)
Australia (88)	141.88	-2.7	116.86	117.67	3.78	145.74	118.46	119.67	145.74	91.16	133.26
Austria (16)	87.80	-0.1	72.31	78.77	2.60	87.91	71.45	78.77	98.18	84.35	87.57
Belgium (63)	120.92	-0.1	99.60	108.40	4.64	120.79	98.18	107.98	139.89	99.14	114.41
Canada (125)	120.82	+0.5	99.52	107.87	3.13	120.16	97.67	107.20	126.49	107.06	126.69
Denmark (39)	128.13	-1.1	105.53	114.80	2.54	129.52	105.28	115.87	151.12	111.42	117.67
Finland (25)	132.92	-0.9	109.48	114.96	1.83	134.12	109.01	114.89	134.12	106.78	
France (128)	95.09	-0.6	78.32	87.03	3.72	95.67	77.76	87.41	95.67	72.77	109.53
West Germany (99)	76.64	+0.0	63.13	68.71	2.70	76.62	62.28	68.71	80.79	67.78	91.08
Hong Kong (46)	101.74	+1.5	83.80	102.07	4.48	100.26	81.49	100.58	105.83	84.90	119.72
Ireland (18)	133.80	-0.1	110.21	121.87	3.89	133.92	108.85	121.70	135.14	104.60	127.24
Italy (102)	71.11	+1.9	58.57	68.14	2.94	69.76	56.70	66.85	81.74	62.99	98.58
Japan (456)	168.97	-0.4	139.17	135.11	0.53	169.62	137.87	134.23	177.27	133.61	154.81
Malaysia (36)	139.54	-0.4	114.94	139.22	2.60	138.97	112.96	138.38	139.54	107.83	172.55
Mexico (14)	157.71	+0.9	129.90	394.69	1.27	156.23	126.99	390.99	176.90	90.07	202.32
Netherland (38)	104.27	-0.1	85.88	92.35	5.02	104.39	84.85	92.15	110.66	95.23	115.73
New Zealand (21)	81.63	-0.2	67.23	62.51	3.60	81.78	66.48	62.16	81.78	64.42	93.54
Norway (25)	120.62	+0.4	99.35	103.43	2.92	120.10	97.62	102.21	132.23	98.55	139.96
Singapore (26)	115.96	+1.3	95.51	108.02	2.30	114.43	93.01	106.52	115.96	97.99	142.90
South Africa (60)	130.50	-0.1	107.48	84.52	5.06	130.69	106.23	84.64	139.07	118.16	153.90
Spain (42)	155.58	-0.1	128.15	134.72	3.21	155.72	126.57	134.72	155.72	130.73	113.60
Sweden (36)	123.97	-0.9	102.11	113.55	2.36	125.50	102.01	114.52	129.56	96.92	112.38
Switzerland (55)	78.87	+0.7	64.96	70.24	2.43	78.30	63.65	69.93	86.75	75.60	93.18
United Kingdom (327)	135.28	-1.1	111.43	111.43	4.35	136.82	111.21	111.21	141.18	123.09	144.94
USA (579)	108.05	-0.5	89.00	108.05	3.62	108.61	88.28	108.61	110.51	99.19	120.78
Europe (1013)	107.54	-0.5	88.58	93.11	3.80	108.05	87.83	92.93	110.71	97.01	118.11
Pacific Basin (673)	165.27	-0.4	136.13	133.02	0.72	165.97	134.90	132.24	172.26	130.81	152.62
Euro-Pacific (1686)	142.19	-0.4	117.12	117.14	1.67	142.81	116.08	116.59	147.53	120.36	138.85
North America (704)	108.73	-0.4	89.56	108.06	3.59	109.22	88.78	108.54	111.28	99.78	121.09
Europe Ex. UK (686)	90.32	+0.1	74.40	81.66	3.31	90.21	73.33	81.50	92.81	80.27	101.45
Pacific Ex. Japan (217)	120.75	-1.1	99.46	106.76	4.00	122.05	99.21	107.23	122.05	87.51	125.98
World Ex. US (1885)	141.35	-0.4	116.43	116.62	1.74	141.92	115.36	116.08	146.49	120.26	138.62
World Ex. UK (2137)	127.83	-0.4	105.29	113.88	2.13	128.29	104.28	113.70	130.28	111.77	130.35
World Ex. So. Af. (2404)	128.46	-0.4	105.81	113.84	2.32	129.02	104.87	113.66	130.96	113.26	131.49
World Ex. Japan (2008)	109.05	-0.5	89.82	102.68	3.70	109.57	89.07	102.90	110.99	100.00	120.63
The World Index (2464)	128.47	-0.4	105.82	113.64	2.34	129.04	104.89	113.46	130.92	113.37	131.64

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Markets closed June 2: Austria, West Germany and Spain.